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ABSTRACT

Trends in job placement in Europe and the effects of advances in information and communication technologies on job placement practices were examined through case studies of France, Germany, the Netherlands, and the United Kingdom. The case studies revealed that the market shares of public employment services (PES) are generally higher than those of private employment services in France, Germany, and the United Kingdom. In the Netherlands, however, the market share of private employment services, especially temporary work agencies, may have already overtaken that of PES. Significant empirical discrepancies emerged from the comparison of PES market shares in Germany, the Netherlands, and the United Kingdom. The gross performance indicators of PES have shown improvement over time, which suggests that essential changes within the PES have occurred. Especially in France and the United Kingdom, greater customer satisfaction with PES and the provision of more comprehensive high-quality services have led to considerable gains in efficiency. The restructuring of enterprises and its impact on personnel management are requiring new forms of service from PES and private employment services. The rapid evolution of information and communication technologies is also having a significant impact on placement services. (Contains 21 tables/figures and 35 references.) (MN)

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Regina Konle-Seidl, Ulrich Walwei*

Job Placement Regimes in Europe: Trends and Impacts of Changes#

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1. Introduction

Since the early 1990s the tasks and the organisation of job placement in Western Europe have been undergoing comprehensive changes. Private agencies are beginning to play a more important role in the area of job placement, which was dominated by public services for decades. The private sector has experienced a boom, and this trend seems to be continuing, also as a result of ongoing deregulation tendencies and lean government strategies. In addition, the whole business of job placement is being largely affected by the rapid development of information and communication technologies. Especially the Internet provides excellent opportunities for improving labour market transparency and searches either for jobs or for workers. Not least, the changes are also a response to new demands arising from recent labour market developments in Europe. After a long period of mass unemployment many countries in Western Europe are being confronted increasingly with skill gaps – also due to the demographic development. In addition, the growing number of non-standard work arrangements, such as new types of self-employment, part-time employment and temporary work, constitutes a challenge for all intermediaries. The changing composition of work arrangements may attract new customers and may have new needs and require new services.

The paper starts with considerations about the role of placement services as intermediaries in the labour market. It continues with a categorisation of placement providers and an overview of alternative approaches regarding the institutional setting of matching services. In its main part the paper examines different placement systems in four European countries (France, Germany, the Netherlands and the United Kingdom). The final section of the paper summarises the results of the four case studies and concludes with remarks on the prospects for placement services in Europe.

2. Job-matching through placement services

2.1. Labour markets and the role of intermediaries

Labour markets are not all homogeneous. Due to the fact that jobs and skills differ greatly with respect to level and scope there is a wide variety of labour market segments. In addition, personal attitudes on both sides of the market can play an important role. A lack of transparency causes problems in matching labour supply and demand. The fact that the required information is not free of charge makes it reasonable to have certain mechanisms or institutions that are able to carry out an efficient exchange. Examples of such information channels are newspaper advertisements, informal contacts, or intermediaries.

The role of placement services can be regarded as that of an intermediary in the labour market. They are match-makers who narrow down the set of employers and workers. In doing so, they can gain some added value by reducing uncertainty on both sides of the market (Yavas, 1994). Uncertainty results from the fact that search efforts by employers or job-seekers may not result in a (proper) match. One possible reason for this is the above-mentioned heterogeneity of the labour market. Especially if search can be expected to be very costly for the individual, intermediaries are able to improve their welfare whereas the opposite will eventually be the case if search is effectively free of charge. Another reason for uncertainty is that the quality of jobs and the performance of workers are experience goods (Spence, 1973).

Only where placement services have expert knowledge of specific parts of the labour market can they expect to be brought into the search process as intermediaries. Due to the peculiarities of the labour market (e.g. quality uncertainties, experience goods) the market reputation of employment services is of significant importance for their actual use. This is due to the fact that the actual benefit of using placement agencies could not be determined on completion of the contract. Therefore, mediation services as such can be seen as an experience good. Successful placement activities thus depend on an ongoing process of winning and keeping confidence (Walwei 1996a).

Intermediaries may, therefore, constitute a means to correct market failures such as quality uncertainties. Jobs that are particularly difficult to fill and workers who are especially difficult to place may otherwise be lost to the market altogether. Assuming that there is a need for mediation services in labour markets, the crucial question is how these services can and should be organised. On the one hand, market failures cause transaction costs, which may prevent market transactions. On the other hand, while these transaction costs can be reduced by policy interventions, the measures imposed might result in other transaction costs. In this case one would speak of policy failure. There are three policy areas where policy failures may arise. The first concerns the efficiency and effectiveness of public services. In order to match both work opportunities and job-seekers in a proper manner efficient public services require adequate resources and need to make full use of them. The second type of potential policy failure is related to the role of private services. The question in this context is whether more room on the market for private agencies would lead to an increase or a decrease in the effectiveness of the matching process. The third possibility for policy failure concerns both public and private services. Their activities may result in mutual exclusion and/or the exclusion of third parties from access to information about job-seekers and vacancies (e.g. self-seeking activities). Such exclusiveness of information may diminish the intended market transparency.

2.2. Public and private agencies

Placement services can be offered either by public or by private agencies. In general, public placement services are an integral part of active labour market policies, which can be delivered by local communities as well as Public Employment Services (PES). In more and more countries local communities provide public placement services especially in order to find jobs for welfare recipients. This is due to the fact that they play an increasing role in delivering active labour market policies and may co-operate with the PES or provide placement services quite independently. However, the main public provider for placement services is still the PES.

The PES is a public agency providing various labour market services and can be seen as the heart of labour administration. PES have existed in certain cases since the beginning of the twentieth century and certainly from the 1950s onwards in all OECD countries. Apart from a few exceptions (e.g. Belgium, Switzerland, and the United States) the PES have a national role and are administered by public agencies. In several countries labour ministries maintain a direct management responsibility for the PES whereas in other countries such public agencies are more or less independent. At central and sometimes also at regional and local level, most PES have some kind of tripartite management or advisory bodies on which, in addition to public authorities, the trade unions and employers are represented. PES are mostly financed out of general tax receipts or to a lesser extent through employer and/or employee contributions. Resources in terms of staffing level and number of operating offices (measured

in terms of the number of employed or unemployed) can vary greatly (for an international comparison see: De Koning/Denys/Walwei 1999). As a general rule, the services offered by public agencies are free of charge. Exceptions consist mainly of employer-oriented services (e.g. large scale mandates to fill appointments or comparative tests on applicants).

The various tasks allotted to the PES, however, can differ according to the national organisational set-up. Placement services include the provision of information to job-seekers and employers as well as active job-matching. Apart from job placement the PES are also responsible for other public service tasks (e.g. checking availability of the unemployed and producing quantitative and qualitative labour market information). In addition, they are in charge of promoting the reintegration of the unemployed into employment through active labour market policies (e.g. job creation schemes, wage subsidies and training courses). The combination of these various tasks provides the advantage of comprehensive policies from the same source. The purpose of these activities is to help job-seekers who have problems in finding a job and employers who have problems in finding suitable personnel. Particularly in order to prevent and reduce hard-core unemployment the PES need to improve the employability of long-term unemployed by using active labour market policies. Helping individual job-seekers and employers as well as eliminating mismatch between labour demand and supply on a more aggregate level (regions or industries) are the central objectives of PES activities.

The most important organisational differences between OECD countries, however, concern unemployment benefit administration – apart from the fact that almost everywhere part of the work of PES staff involves assessing the willingness to work. In some countries the administration is also part of the PES, whereas in others unemployment benefits are administered by a separate agency. The advantages of such a separation lie in the promotion of a more service-oriented and less bureaucratic PES. The disadvantages result from separate agencies dealing with partially overlapping activities as well as from the difficulty of bringing claimant unemployed into contact with available vacancies.

This paper will mainly concentrate on the role of the PES as mediators of vacancies and job-seekers. The PES can use different mediation procedures to fill the notified vacancies. We must distinguish between four types: self-selection, conditional self-selection, administrative matching, and selective matching (van Ours 1994). In the case of self-selection and conditional self-selection, the PES play a rather passive role as mediators, i.e. concentrating their activities on the acquisition of vacancies and the production of files containing data on job-seekers as well as vacancies. Self-selection is usually based on an open-file computer system or the Internet which includes all the relevant information on screen. Both employers and job-seekers have direct access to the system without the need for PES staff to be contacted. Similar information systems based on the principle of self-selection for employers are also gaining importance. Conditional self-selection mainly entails providing only basic information about vacancies or job-seekers. For further details the employers or job-seekers need to approach PES staff members. When job-seekers are interested in a particular job they will be interviewed in order to undergo an initial screening. If a job-seeker is expected to be suitable for the job he or she will receive the name and address of the employer. Mediation procedures based on conditional self-selection are called "semi-open self-service systems". Both the open and the semi-open self-service systems mainly provide information, and PES placement staff spend little or no time on the selection of candidates.

In contrast, administrative matching means that notified vacancies are matched with registered job-seekers. When potentially suitable job-seekers are registered with the PES,

these job-seekers are notified about the vacancy. In the same way employers may obtain names of potentially suitable candidates and may contact these by themselves. Administrative matching, of course, requires more staff capacities than any kind of self-selection procedure because the PES have to find suitable job-seekers who match the vacancy. However, the most time and resources are taken up by selective matching. Apart from the pure matching the PES has to spend additional time screening candidates (e.g. with respect to their skills, work experience, education and motivation).

In general, the use of mediation services offered by the PES is voluntary for job-seekers, but normally obligatory for unemployed benefit recipients. Whereas with self-service systems the unemployed are often not obliged to apply for registered vacancies, in the case of administrative or selective matching they are obliged to apply for an appropriate job. From the point of view of firms seeking to fill vacancies, using the PES is at least *de facto* voluntary. Although there is a requirement of mandatory registration in several countries its practical significance can be regarded as low, since failure to register vacancies does not seem to result in severe sanctions. This might be attributed to the fact that the PES would probably not be able to fill all of the vacancies in the economy with suitable candidates. In addition, enforcing the requirement to register vacancies would entail considerable administrative effort.

There are several differences between the PES and private employment services (PRES). The PES are set up by government or regional authorities, whereas PRES are established as a result of private initiative. PES normally provide their services free of charge, whilst PRES usually charge a fee. PRES can be operated with a view to profit or not. Because the sector covers a wide range of services, mediation can be a private agency's major or minor activity. The ILO distinguishes between three types of PRES: intermediaries, skill providers and suppliers of direct services (De Koning/ Denys/Walwei 1999).

There is a wide variety of intermediaries. First of all, there is the traditional type of PRES, which are the fee-charging employment agencies. The second category is the executive search agencies (headhunters), which are mainly concerned with filling vacancies for highly qualified employees – sometimes even only top executives. The third type is recruitment and selection agencies operating in the labour market segment just below that of headhunters. A fourth category is interim management agencies, which are somewhere between executive search agencies and temporary work agencies. The difference with temporary workers is that their staff (mainly managers) are not employees of the agencies but are self-employed. The fifth type covers agencies for special categories like paid sportsmen, artists, models and au-pairs. A sixth category covers numerous non-profit agencies. Examples are charitable institutions that work for the socially disadvantaged, or occupational or professional organisations, such as trade unions, acting in the interest of their members, or even placement services provided for example by universities or training institutes.

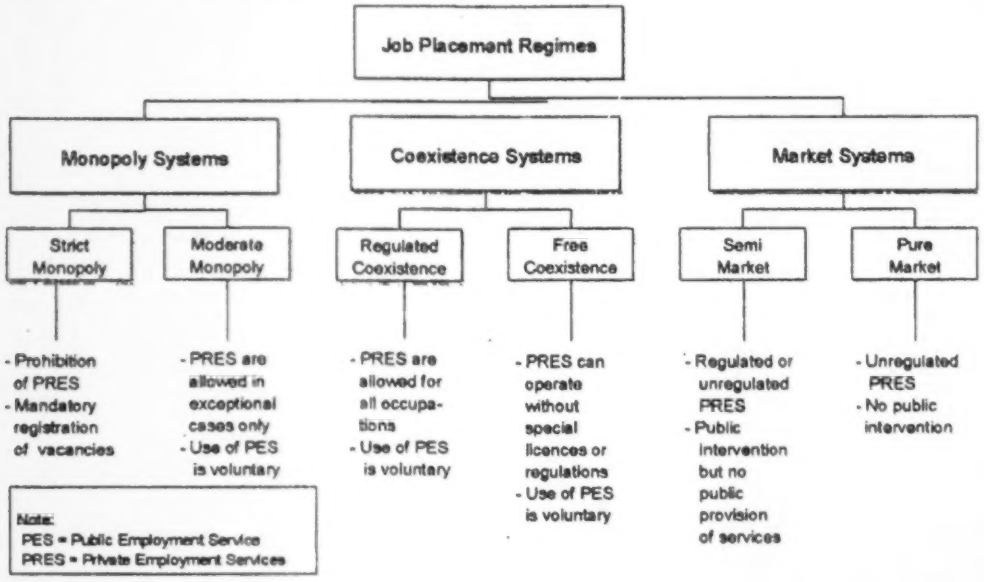
The most important category of skill providers and still by far the most important PRES world-wide are temporary work agencies (TWA). The activities of temporary work agencies are only indirectly linked to actual matching. TWAs do not place job-seekers permanently, but hire out workers for a limited period of time. Should the workers subsequently be taken on by the user firm under permanent contracts, the temporary agencies are then actually performing a similar job to other PRES, for example, fee-charging employment agencies. Another type of skill providers are staff leasing agencies. These agencies (which are common in the USA but for legal reasons less so in Europe) relieve enterprises of the burden of personnel management in exchange for a comprehensive fee fixed in advance.

Finally, we find suppliers of direct services. A first category comprises outplacement firms, which primarily offer a very specialised type of consulting service that may include the placement of workers who have been made redundant. Their services are aimed at facilitating the re-employment of formerly dismissed workers and are normally paid for by the previous employer. The second category of direct suppliers is the rapidly growing job database agencies. Individuals have the opportunity to help themselves concerning job search via terminals (placed e.g. in the agencies) or the Internet.

2.3. Categorisation of systems: trends in Europe

There are three common models for the organisation of matching services (see Figure 2.3.1): monopoly, coexistence and market systems (Walwei 1996b). Monopoly systems can either be strict or moderate monopolies. The purpose of strict monopolies is to ensure that the PES are afforded a strong position through the prohibition of PRES of any kind and through the requirement of mandatory registration of vacancies. In contrast, in the case of moderate monopoly systems the use of PES is voluntary for both employers and job-seekers (but obligatory for the unemployed receiving benefits). In moderate monopoly systems PRES are allowed only in exceptional cases, for example for certain occupational groups (e.g. executives and entertainers). However, it must be noted that in monopoly countries where PRES are completely or partly banned there are legal and illegal ways to side-step such restrictions. Prohibition often primarily concerns recruitment activities by PRES and not personnel consulting (including selection of candidates) or temporary work.

Figure 2.3.1.: Job Placement Regimes


Job Placement Regimes
Monopoly Systems
Coexistence Systems
Market Systems
Strict Monopoly
Moderate Monopoly
Regulated Coexistence
Free Coexistence
Semi Market
Pure Market
- Prohibition of PRES
- Mandatory registration of vacancies
- PRES are allowed in exceptional cases only
- Use of PES is voluntary
- PRES are allowed for all occupations
- Use of PES is voluntary
- PRES can operate without special licences or regulations
- Use of PES is voluntary
- Regulated or unregulated PRES
- Public intervention but no public provision of services
- Unregulated PRES
- No public intervention
Note:
PES = Public Employment Service
PRES = Private Employment Services

In coexistence systems PES and PRES operate side by side. Even profit-making PRES are allowed, without any geographical restrictions and for all occupational groups. In free coexistence systems PRES can operate without special licences or regulations. Just like any other company, such agencies acquire their legitimacy by being entered in the commercial register and by declaring themselves to the tax authorities. In regulated coexistence systems

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there are regulations for PRES with respect to licensing provisions and quality standards. The advantage of licensing provisions is that they create "artificial" barriers to market entry in terms of staff and operating requirements. This impediment reduces the risk of harm to potential clients through irresponsible agencies that are interested only in short-term profit. Given the nature of the placement service itself, which entails significant quality uncertainties, "black sheep" cannot be ruled out entirely, even with limited market access. Quality standards and monitoring by state authorities may additionally provide some consumer protection. But regulations governing licensing and quality requirements should not impose standards that are so high that they may prevent market entry and thus reduce competition because – given placement services' dependence on reputation – healthy competition eliminates "black sheep". Often the long-term profit to be achieved may provide sufficient motivation for commercial PRES to act in a responsible manner.

In a market system only PRES provide mediation services of any kind. Such a system does not necessarily imply the absence of any public intervention. For example, matching tasks may have been contracted out from PES to PRES. Therefore, we have to distinguish between semi market systems and pure market systems. Semi market systems imply the existence of public intervention in search activities but no public provision. In contrast, in pure market systems public intervention is absent. A pure market system need not necessarily reflect a particularly liberal approach, but may also be accounted for by the stage of economic development reached by certain countries which could not afford to finance PES activities.

Over time a vigorous trend toward deregulation can be observed in the PRES sector in EU countries. In the 1980s the majority of countries had a moderate monopoly and there were only a few countries with a regulated coexistence system. Since then the situation has changed considerably. PRES have been unconditionally admitted in almost all former monopoly countries with the exception of France. Temporary work agencies (TWA) have now been legalised in all EU countries – although regulations differ quite considerably (see Table 2.3.1). Even in regulated coexistence countries further liberalisation steps have been taken. For example, in the United Kingdom the licensing requirement for PRES was abolished in 1995. The vast majority of EU countries now have coexistence models. Most of them have regulations (which means at least with the regulation that job-seekers should not be charged for placement services) and actually only one country (Denmark) has a free coexistence system. Because some of the PES in coexistence countries have already begun to contract out placement activities to PRES, further liberalisation initiatives may be expected in the future.

Table 2.3.1.: Regulation of temporary work agencies in EU countries (OECD ranking)

	Summary scores		Present regulation (late 1990s)		
	Late 1990s	Late 1980s	Types of work for which TWA is legal	Restrictions on renewals	Maximum duration
United Kingdom	0.5	0.5	4.0	No	No limit
Ireland	0.5	0.5	4.0	No	No limit
Finland	0.5	0.5	4.0	Yes	No limit
Denmark	0.5	4.0	4.0	Yes	No limit
Sweden	1.5	5.5	4.0	Yes	12.0
Netherlands	1.6	3.3	3.5	Yes	42.0
Austria	1.8	1.8	3.0	Yes	No limit
Germany	2.8	4.0	3.0	Yes	12.0
France	3.3	2.6	2.0	Yes	18.0
Italy	3.3	5.5	1.0	Yes	No limit
Belgium	3.5	4.0	2.0	Yes	15.0
Portugal	3.8	4.5	2.0	Yes	9.0
Spain	4.0	5.5	2.0	Yes	6.0
Greece[1])	5.5	5.5	0.0	0	0.0

[1]) Since July 1999 TWAs have been allowed to operate in Greece. There is a licence obligation for TWAs, the maximum duration is six months and contracts can be renewed twice.
Source: OECD 1999b

The following case studies cover four countries. There is one country (the United Kingdom) where PRES were never forbidden and where the level of regulation is quite low. Two countries (Germany, Netherlands) also count among the countries with a regulated coexistence system. However, the level of regulation is significantly higher than in the UK. The fourth country, which is France, still has a moderate monopoly. Concerning the regulation of TWAs the level of strictness in the UK is low whereas the other three countries are ranked somewhere in the middle of the spectrum (see Figure 2.3.1.).

The case studies start with basic labour market information and go on to the regulatory framework as well as the activities of public and private services, which are recorded quantitatively on the basis of commonly used performance indicators.

Figure 2.3.2.: Performance indicators of placement services

Vacancy registration rate	*Success rate of vacancy registrations*	*Penetration rate*
= Inflow of registered vacancies / total hirings	=Placements (filled vacancies) / inflow of registered vacancies	= filled vacancies / total hirings
Vacancies notified by the firms reflect their expectation that placement services might be able to bring suitable candidates to their attention. It is the most expressive indicator of the appeal of placement services to employers.	This indicator represents the proportion of vacancies filled and the proportion of job-seekers placed. The overall score depends on whether the placement agency is able to offer job vacancies to job-seekers and candidates to employers and whether a contract between both sides can be achieved. A high score of successful attempts could be regarded as a measure of quality and internal efficiency.	The arithmetical result of the registration rate and the success rate is the penetration rate, i.e. the proportion of all hirings (vacancy inflows) that are made with placement services. The penetration rate in all hirings is a flow measure which tends to be dominated by short-term jobs while current employment is mainly in long tenure jobs.

3. European case studies

3.1. France[1]

3.1.1. Basic labour market information

Over the long term the growth rate of the French economy has gradually declined, as it has in most other OECD countries. It decreased from an average of 5½ per cent a year during the 1960s to 2¼ per cent during the 1980s, and 1½ per cent in the period 1990-96. The acceleration of economic growth since 1997 is continuing with growth rates averaging 3% a year since 1997. Since mid-1997 exceptionally strong employment growth (e.g. 3.5% in 2000) has pushed down the unemployment rate in France from 12.6% in June 1997 to 9% in March 2001. 1.6 million new jobs were created between early 1997 and late 2000, 520,000 in 2000 alone. France has performed better than the other large EU Member States (Germany, Italy, UK). Current economic growth is much more employment-intensive than in the past. This is partly due to the significant shift in employment policies, which includes the implementation of the 35-hour-week in 2000.

In contrast to the recent positive developments the labour market performance in the past was quite poor. In an attempt to combat unemployment, spending on employment programmes has grown enormously in the long run, from 0.9 per cent of GDP in 1973 to 3.9 per cent in 1996. According to OECD data public expenditure on labour market measures developed as follows:

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[1] This part of the paper is largely based on the results of the IAB survey on the "Future of the PES in Europe" carried out in 2000.

Table 3.1.1.1.: Public expenditure on labour market[2] programmes (France 1980-1998)

	1980	1990	1998
Total expenditure	2.13	2.67	3.13
Active labour market measures	0.82	0.80	1.33
Passive measures	1.31	1.87	1.80
Public employment services and administration	0.09	0.13	0.16

For reference GDP (national currency at current prices, billion) 8,564.7 (in 1998)
Source: OECD 2000b and OECD 1997

Since the turnaround in labour market performance all sectors, including manufacturing, are now taking on new labour. In spite of the fact that unemployment remains high, some sectors (computing, telecommunications, construction, mechanics, metalworking, electricity, electronics, hotels and catering, and transportation) are already experiencing problems in meeting their labour requirements. The implementation of the 35-hour week has not, for the time being, caused major wage increases but has intensified the possibility of labour shortages.

3.1.2. Regulatory framework

The implementation of a public placement service at the beginning of the 20th century was the response to the emergence of mass unemployment (and the political readiness to distinguish the "real" unemployed from those who are simply unwilling to work). Until 1940 placement and unemployment benefits were organised at local level. There was a great distrust, especially from the trade unions, concerning private placement activities. The French legislation took on this distrust vis-à-vis the profit-making placement activities. In contrast to Germany and other countries the different organisations of the Public Employment Service (PES) in France were implemented late: The ANPE (Agence National Pour l'Emploi) was created by ordinance in 1967. Its remit within the public placement service was reviewed in 1986 with a view to adapting public activities better to the realities of the labour market and increasing its resources.

The regulations concerning the PES were amended (Ordinance of 20.12.86 and Decree of 24.6.87) to adapt the service to the current economic context. In order to open up the activities of the placement service and to facilitate action by local authorities in the employment field, the placement monopoly of the ANPE has given way to a controlled opening of the PES. Other (public, non-profit) bodies authorised to make placements e.g. town halls, youth centres, must conclude an agreement with the ANPE or obtain an approval from the State. Private, profit-making agencies are allowed only for special categories, e.g. artistes. But there is a *de facto* tolerance of private recruitment and placement activities as well as of computerised job databases and outplacement agencies. According to the characterisation of job placement regimes (see Figure 2.3.1.) France has a moderate monopoly system. Article 312-7 (1973) of the "Code du travail" (labour code) bans in general the operation of private

[2] Expenditure on employment was financed (1993) in the following proportions: 20 per cent by employers and professional associations, 43 per cent by the unemployment insurance scheme, and 37 per cent by central and local government

profit-making placement agencies with the above-mentioned exceptions. There is not expected to be more deregulation on PRES within the next five years, nor is France expected to be ready to ratify the ILO convention N° 181 on private placement services (IAB survey 2000).

Temporary work agencies (TWA) have been allowed to operate since 1972. Regulation of temporary employment (fixed-term contracts and those governing the operations of TWAs) have undergone several changes. Although legislation on non-standard forms of contract is fairly strict, there were less stringent restrictions on TWA employment in the 1980s. France alternated between liberalisation and restriction during the sequence of government in the 1980s, and is currently more legally restrictive. This is in contrast to further deregulation developments concerning TWAs in the other EU countries in the 1990s. Before 1990 TWA employment was permitted for all work situations. There were no restrictions on the number of contract renewals and the maximum duration of this type of work was quite high in international comparison (24 months). But the 1990 reform tightened the conditions for TWA employment: requiring proof of an objective reason and allowing only one extension of a temporary contract. The maximum time permitted was reduced from 24 to 18 months (including renewal). In some circumstances, however, it may still be extended up to 24 months. There is no licence obligation for TWAs but an obligation to inform authorities and a financial guarantee are required. There is a ban on the use of TWAs in the case of strikes and in the case of firms dealing with dangerous materials. Combining with other services, e.g. placement services, is not allowed. Restrictions on the use of agency workers are significant: temporary replacement of an employee who is absent for some reason, meeting a temporary increase in workload and performing work that is inherently temporary (e.g. seasonal work). In a comparison of TWAs in 26 countries, France fell from position 9 in the late 1980s to position 20 in the late 1990s (see OECD 1999b, pp.63-64).

A nationwide unemployment insurance system (UNEDIC) was introduced in 1958 and was reformed in 1982 (introduction of wage-related eligibility criteria), 1984 (division of unemployment benefit system and social aid) and 1992 (tightening of eligibility criteria, digressive benefit payment). The 1993 reform substantially lengthened the required contribution period. It introduced a declining rate of benefit after a period at the full rate and extended the waiting period. The result has been a substantial decline in the percentage of job-seekers receiving unemployment benefits: from 55.8 per cent in 1992 to 42 per cent in 1998. In contrast, since 1996 the social partners have implemented several measures to raise the level of benefit payment. Now the benefit level is more generous for the older unemployed and the minimum benefit has been increased (OECD 2000a, p.149). Rates and duration of compensation were still fairly generous for benefit recipients compared with the OECD average.

3.1.3. Public services

The organisational context

France's institutional arrangement in labour market policy is a mixture of centralism, social partnership and institutional fragmentation. The PES is fragmented into different organisations. The main PES institutions are the ANPE (Agence National Pour l'Emploi = French National Employment Office), the AFPA (Association pour la Formation Professionelle des Adultes = Adult Professional Education Association), UNEDIC (National Union for Industrial and Commercial Employment) and the DGEFP (the General Delegation for Employment and Vocational Training) of the Ministry of Employment and Solidarity. Of these institutions the ANPE and the AFPA have tripartite structures in which the social

partners formally share responsibility with public representatives. UNEDIC, the French unemployment benefit system, by contrast, is a purely bipartite institution based on a national agreement between representatives of the social partners. Nevertheless, the real role of the social partners in the functioning of the unemployment system is more ambiguous, as the state continuously intervenes in its activities.

The AFPA, the principal training organisation, carries out about 40% of training for the unemployed. It is an association under the control of the state, which means that its policies are laid down by the labour minister, and nearly 70% of its resources stems from public sources. The ANPE and the AFPA are both attached to the DGEFP, at central level and the External Services for Labour and Employment (SETE) at regional level.

Set up in 1975, the DGEFP is one of the four directorates of the Ministry of Employment and Solidarity. It operates at the heart of the PES and manages its various networks. Its task is to promote employment policy. It makes proposals to the Government on trends, plans of action, measures; it devises the legal framework for these, disseminates them and co-ordinates them within the PES; it also manages the financial resources for them.

The ANPE is the national employment office and the central organisation of the public placement service. The ANPE has two principle missions. First, it has to assist people in seeking employment, training or occupational guidance. At the same time, it has to assist employers in recruiting personnel. The ANPE administers various labour market programmes on behalf of the Government and social partners. Furthermore it takes part in implementing public aids designed to facilitate these operations and special measures aimed in particular at small and medium-sized enterprises. Within the Public Employment Service, the ANPE is responsible for promoting employment, such as the "personalised service for a new start towards employment", a programme aimed at getting long-term unemployed back on the road to employment and to combat social exclusion.

The ANPE also has other functions: management of the register of job-seekers, compilation of statistics. Only established in 1967, it is a national public body with an independent legal status but under the authority of the labour minister, who appoints the Director-General of the ANPE. In 1980 a tripartite board of management was introduced, which however has only limited independence vis-à-vis the State.

Management and structure of the ANPE

The ANPE is organised into 22 regional offices (DRA, Directions Régionales ANPE), 120 delegated offices (DDA, Directions Départementales ANPE) and 850 local placement offices (DALE, Directions Agence Locales pour l'Emploi). The ANPE board defines the institution's strategic orientation in co-operation with the DGEFP. It provides regional offices with the resources to carry out their policies and is responsible for follow-up. The vast budget of the ANPE comes from the State. It mainly consists of an annual subsidy, voted on in parliament as part of the Finance Law. This includes operational and investment loans. Added to this subsidy are funds made available to the ANPE by the minister responsible for employment in order to finance employment measures which the Agency is responsible for promoting amongst its users. The budget is augmented from other sources which constitute less than 2% of the total. Almost 70% of the operational budget of the ANPE (except staff salaries) is re-allocated to the regions. In 1994 the initial budget of the ANPE was FF 7,130 million, the State subsidy was FF 4,940 million (EU Commission, 1996). In 1999 the total budget of the ANPE was FF 7,213.1 million (ANPE, Annual Report 1999).

A personnel statute of 1990 gives staff of the ANPE the status of Agents of Public Law. This statute forms the regulatory framework for the management of human resources. In 1999 the ANPE staff numbered 17,766 persons, 85% of whom were concerned mainly with placement. Measured against the annual average of unemployed in 1999, which was 2.85 million, there was one placement officer for every 189 unemployed. There are 850 placement offices across the country. In 1999 the ANPE realised 2,638,000 placements and registered 3,031,340 vacancies.

The penetration rate according to administrative data (survey data are unfortunately not available) in 1999 was 37%. As Table 3.1.3.1. shows, the ANPE was able to improve its performance indicators significantly.

Table 3.1.3.1.: Market shares of the French PES (administrative data)

	Hirings (in 1000s)	Inflow of registered vacancies (in 1000s)	Placements (in 1000s)	Vacancy registration rate (as a %)	Success Rate (as a %)	Penetration rate (as a %)
	1	2	3	2/1	3/2	3/1
1991						20.4
1992		1184	508	20	43	
1995						32
1999	7129	3031	2638	42.5	87	37

Source: European Commission 1996, ANPE 2000, own calculations

Although the ANPE itself is a highly centralised organisation, in 1997 a new, more decentralised approach was tested in France with respect to the active policy measures managed by the DGEFP. In 22 territorial departments (6 regions) the DGEFP offices autonomously manage the funding for seven reintegration measures. The use of these measures depends on a territorial diagnosis agreed by the various agents involved in the department's labour market. This strategy produced positive results and was therefore extended to other regions a year later. The development of local policies facilitated access to the labour market for those who are difficult to place. The use of block grants instead of earmarked allocation of funds for the individual measures helped to adapt tools to local conditions (see Mosley et al, 2000).

ANPE placement officers are responsible for professional categories as well as for defined economic sectors. ANPE advisers are organised into specialised teams and manage a portfolio of employers and job-seekers in a specific sector. Although placement service and benefit administration are separate, PES placement officers have recently been exerting some control e.g. they check the unemployed individuals' willingness to work. In the context of PARE and PAP (individual integration plan for the unemployed) there is a discussion about strengthening the co-operation between the ANPE and UNEDIC in order to facilitate more individualised services and better control. The first steps towards reducing the inefficiency caused by the lack of co-ordination between UNEDIC and the ANPE were taken in 1994. Only recently, in 1998-99, the registration of job-seekers was transferred to benefit organisations, and the creation of 500 posts per year for a period of five years in the ANPE is

intended to improve co-ordination in the management of unemployment benefits, placement services and labour market programmes.

French PES placement activities are relevant in urban and rural areas, for skilled and qualified workers as well as for the less qualified and for special categories of employed e.g. for artistes. The public employment services are more important for the unemployed than for employed job-seekers, and more relevant for small and medium-sized enterprises than larger ones. For blue- and white-collar workers and for every age group and there is no distinction in importance concerning gender. 10% of placement tasks are contracted out and half of those are individual case management cases delegated to non-profit agencies.

Sample surveys show that 15% of job-seekers use self-service systems (incl. Internet) and 60% consult a placement officer. 25% of job-seekers need intensive mediation. Information on job applicants is made available to firms via terminals, Internet and through regular contacts and targeted information meetings by PES staff (see IAB survey 2000). Created in 1997, www.anpe.fr is the largest employment website in France. The site is updated daily and lists some 90.000 job offers (ANPE, Annual Report 1999).

Arguments put forward by enterprises to illustrate inefficiencies of PES agencies are the unwillingness of the unemployed to work, and the fact that applicants are often unsuitable. It seems that with offering a new range of services, however, customer satisfaction is on the rise. The ANPE regularly conducts customer satisfaction surveys among the companies for which it has worked. In 1999, 9 out of 10 companies stated that they had received effective assistance and 84% said they would recommend the Agency to another company. In the opinion of the ANPE the co-operation between the PES and enterprises will be improved by means of new ways of filling vacancies, in extending the services by advising firms on staff and training and supporting them to prevent redundancies (see IAB survey 2000).

The ANPE is expanding its employer contacts (500 000 client companies in 1999) and offering them flexible services from simply advertising offers to defining profiles and even preselecting a specific number of applicants based on jointly determined criteria. To help large corporations in their recruitment needs throughout France, the Agency also has a policy of nationwide agreements. New recruitment methods are also being implemented for group appointments, and are based, notably, on testing the applicants' skills (ANPE, Annual Report 1999).

The shift from administrative tasks to customer-friendly services and the move from being a central actor to a manager of networks are important steps towards becoming a more customer-friendly service agency (see IAB survey 2000). In order to maintain the role of the main employment operator and to keep pace with the changing needs of its clients, the ANPE is offering a new range of services. It is based on a global approach to improving the quality of the services provided. Each local unit undergoes a process which lasts at least a year, to obtain a quality label. For job-seekers the ANPE offers e.g. free access to research tools (Minitel, CV software etc.), job search assistance (CV writing, information about starting up a company etc.) and personalised support for three months assisted by a specially assigned adviser.

Along with local authorities, the youth network, the disabled people network, UNEDIC and numerous other organisations (over 1,000), the Agency is actively pursuing partnerships to provide broader access to its services and to simplify procedures for job-seekers.

Progress agreements ("Contrats de Progrès") for a period of five years have been concluded between the ANPE and the French State. As a result of these agreements, the first of which was signed in 1991 (1991-95), the organisational structure has changed and services for job-seekers have improved considerably. Consequently the penetration rate rose from 20.4% in 1991 to 37% in 1999 (see Table 3.1.3.1.). The third progress agreement (1999-2003) specifies the strategic orientation and defines operational goals of the labour administration. The State is under the obligation to furnish the ANPE with the necessary financial means to achieve them. The ANPE develops an annual programme of objectives with quantitative targets based on the progress agreement (see Table 3.1.3.2.). Since 1990 the MBO (management by objectives) system has been used to set clearer priorities in labour market policy, to strengthen public responsibility and to improve the efficiency and effectiveness of regional and local employment offices. In 1995 a controlling department was introduced. The entire organisation has become strongly target-driven and the target-setting is becoming more decentralised.

The management information system in France encompasses all operational targets and performance indicators. The local and regional employment agencies have to report monthly to the ANPE's national controlling unit on the extent to which targets have been reached using the agreed indicators. The monitoring system is being used as an early warning system in France. The ANPE must report monthly to the ministry on the achievement of the targets with respect to long-term unemployment; for all other targets the ANPE is only required to report on a quarterly basis. In the case of low target achievement, policy intervention may take the form of organisational measures, training, or provision of additional staff (see Mosley et al 2000).

Currently the overall goals of the ANPE focus in particular on three points: firstly fighting long-term unemployment and social exclusion, and helping young people to integrate into the working world (New-Start programme). Secondly, improving placement, i.e. the registration and filling of job vacancies. Thirdly, the ANPE is trying to refer unemployed people to the AFPA, the institution for adult vocational training.

Table 3.1.3.2.: ANPE strategic and operational goals, 1999 and 2000

GOALS	1999	2000
Strategic goals:		
Registered vacancies	2 850 000	2 925 000
Percentage of anonymous vacancies to be filled	65 %	66 %
Number of long-term unemployed (>2 years unemployed)	-5 %	-40 000
Youth long-term unemployment	-25%	-15%
Exits from long-term unemployment (>1 year unemployed)	1 260 000	1 120 000
Percentage of social assistance (RMI) recipients in individual measures	25%	-
Operational goals:		
Vacancies filled	2 500 000	2 550 000
Placement of managers and professionals	30 000	30 000
Participants in training programmes (%) going on to employment	55%	-
Entrants in 'new-start programme'	850 000	1 100 000

People leaving the 'new-start programme' (%) who either found employment or who have worked at least 78 hours	550 000	-
N° of persons referred to AFPA to participate in measures	80 000	130 000
- no. of whom are participants in the 'new-start programme'	-	90 000
Number of participants in a service offered	750 000	850 000
Percentage of qualified local employment offices in quality programme	95%	-
Average time in further training per member of staff	10 days	-
Percentage of voluntary workers who participate in a progress talk	100%	-

Source: Programmation 1999 (ANPE), Programmation 2000 (ANPE)

3.1.4. Private services

Temporary Work Agencies (TWA)

Although legislation on TWA employment is currently more restrictive than in the 1980s the effects of the 1990 change in legislation seem to have been of little significance in practice. While it may be argued that these legal changes contributed to some decline in the recourse to such forms of temporary employment after 1990, their use has increased again strongly since the mid-1990s:

Table 3.1.4.: Temporary work (TWA) in France
as a percentage of dependent employment

1985	1990	1994	1996	1998	2000
0.6	1.2	1.1	1.4	2.1	2.6

Source: INSEE 2000, OECD 1997

TWA employment in 1998 was 1.9 % in terms of total employment (EU average: 1.5 %, Germany: 0.7%). This means an annual increase of 35.7 per cent (1997-1998). In 1996 850 TW agencies were operating in 4000 branches. The number of agency workers at work on any given day in 1998 was 570,000 (compared e.g. to Germany: 200,000), turnover amounted 15,073 million Euro. TWA employment is largely concentrated in the industrial sector with mainly manual labour and a predominantly male workforce. In France TWAs are relevant predominantly in urban areas, in the (male-dominated) industrial more than in the (female-dominated) service sector and TWA work exists alongside the use of fixed-term contracts predominantly in the tertiary sector (see CIETT 2000, EIRO 1999). The International Confederation of Private Employment Agencies (CIETT) has gathered information on the role and the impact of temporary work agencies. According to their data, many agency workers in France were previously outsiders. Prior to agency work 50% of all agency workers were either unemployed (25%), new entrants or students (15%) or other non-participants (10%). In addition, agency work seems to enhance employability. In France, 46% of workers entering an agency were able to move into non-agency jobs (permanent or fixed-contracts) after one year (CIETT 2000).

The principal legislation regulating TWAs dates back to the early 1970s. Collective bargaining outcomes at national intersectoral level have been behind much of the legislation

on TWAs, and a 1990 intersectoral agreement on the subject was subsequently implemented by legislation. There is also specific sectoral bargaining involving "normal" trade unions and "specific" employers' associations of TWAs. Besides the extensive legislation, intersectoral agreements and specific sectoral bargaining, and collective agreements in other sectors also cover aspects of TWA work. Parity between TWA workers and similar permanent workers in user companies in terms of pay and other employment conditions is guaranteed by law (and/or collective agreement). In France, TWA workers exercise their union and representation rights in the TW agency. Employers generally see TWAs as a necessary element in labour flexibility and as a good means of promoting employment. But in contrast to other countries, where employers are calling for further deregulation, in France they have been prominent in seeking better regulation on the TWA sector (see EIRO 1999).

Private intermediaries

According to L. 321.7 and 321.8 of the "Code du Travail" the operating of private commercial placement agencies is generally forbidden. But there are exceptions for special professional categories:

- The Executive Placement Agency APEC (Agence de placement des cadres). This is a private non-profit agency which was founded in 1996 by the social partners. It is an association of executive representatives and private enterprises and is equipped to gather vacancies and to make them available to workers. Unfilled job vacancies are communicated to the agency.

- Recruitment agencies: private organisations for the placement of skilled workers and management staff for large companies ("headhunters").

It is very difficult to evaluate the situation and the extent of these placement and recruitment agencies. There is no reporting obligation and only about 200 agencies out of 1,200 (in 1996) are represented by professional organisations ("Syndicats Professionnels"). No further quantitative data on private placement and recruitment business is available.

What is more important is the relevance of other bodies which are authorised to make placements provided that they have concluded an agreement with the ANPE or have been approved by the State. These bodies are public institutions, bodies managed jointly by employers and trade unions and by associations. They must respect the basic principles of the PES: free of charge, permanence and equality of treatment among the users. Approved bodies can participate in placement but are not responsible for managing job-seekers' files of job vacancies, which are the exclusive responsibility of the ANPE.

There are agreements mainly with municipalities due to the obligation to ensure that the service is free and non-discriminatory. More broadly, local authorities, in addition to placement, can contribute to the social and vocational integration of job-seekers by implementing training, information or reintegration activities, under conditions defined by agreement with the State and, if necessary, the ANPE. There are also recent agreements with START, a company providing temporary staff like that in the Netherlands, and several collaborative agreements with organisations collaborating in joint transactions and sharing target audiences. The ANPE has concluded agreements with companies (e.g. Renault) or professional branches in the case of large-scale recruitment or massive redundancies and with Chambers of Commerce, employers' associations or unions for the promotion of measures. Partnership with external consultants is predominantly aimed at contracts providing for the performance

of services for job applicants or companies for remuneration agreed in advance.

There has also been an increase in the delegation of services on information and operational level. Part of the information function of the Government Placement Service on vacancies and services is being outsourced. There are also partnership agreements between the ANPE and temporary employment agencies. In particular, with the help of local employment offices, they are to disseminate their job offers more widely by making them available to all the users of the Agency. In turn, they benefit from ANPE services which assist them in the search for and pre-selection of applicants. The TWAs and the local employment offices are also to exchange information pertaining to the regular labour market, the temporary employment market and employment measures, so as to tailor their respective services better to the needs of job-seekers. In particular, they are to make use of the opportunities offered by temporary employment to facilitate the process of integration or re-integration of specific groups such as young people, the long-term unemployed and people with disabilities.

Finally there is staff availability as a new co-operation practice. Organisations appoint a staff member of ANPE to carry out the work of the placement service, within the reception structure and aimed at one target group (see ILO, 1998 and ILO 2001).

From the ANPE point of view, there is a loss of market share in certain labour market segments since more agencies have been allowed to operate. In some cases (e.g. subcontracting from PES) co-operation between public and private agencies could increase in the future if the services delivered are complementary. PRES could increase their activities in the future if there are increasing skill shortages on the labour market and if the PES continue to concentrate on the area of managing subsidised employment.

The forced implementation of self-services is seen as a positive effect of deregulation in placement services. A negative one is seen in an existing risk that the PES could end up in a weaker position because it is displaced by the intermediaries' activities and is left with the least profitable and the most difficult segment of the labour market (see IAB survey 2000).

3.2. Germany[3]

3.2.1 Basic labour market information

Germany has failed to achieve its goal of full employment for more than twenty years. The German recipe for success - relying on technological innovation with a well-trained workforce - is no longer producing positive results for the labour market as it did in the past. In response to these conditions, changes are being made in German employment policies.

The labour market situation in Germany was marked until the end of the 1990s by high and increasing numbers of unemployed. Even after an economic upswing, unemployment remained high. In the case of the economic recovery in the late 1980s and early 1990s, unemployment decreased considerably more slowly than employment increased. As a consequence of the persistent employment crisis, a hard core of unemployed people has developed, with a large proportion of long-term unemployed individuals. From the point of view of labour market policy, particular attention is to be paid to the "hard core" of the unemployed: multiple spells of unemployment affect in particular young people and male

[3] This part of the paper is largely based on two sources: Walwei 1998 and the result of the IAB survey "Future of the PES in Europe" carried out in 2000

workers with low qualifications, whereas long-term unemployment is concentrated more on older workers in Germany. It must also be pointed out that the German labour market situation is characterised by considerable regional discrepancies. This is true firstly of the severe labour market problems in eastern Germany, which are the result of the transformation from a planned economy to a market economy, and the restructuring process linked with this. In 1998 when 9 % of the labour force was unemployed in western Germany, the figure for eastern Germany was 18 % (see Walwei 1998).

Parallel to the rise in unemployment rates and the growth of long-term unemployment in Germany, active labour market policies moved to the centre of labour market activities. German unification brought about a growing need for active intervention. Labour market policies had to and still have to serve as a bridge over the "troubled water" of the transformation process until a sufficient number of new jobs can be created. The Federal Employment Service spent DM 97.1 billion and the Federal Government DM 31.6 billion on labour market policies in Germany in 1995. Expenditure on active labour market measures amounted to DM 40.0 billion. Around 50% of this expenditure on active measures was spent in eastern Germany. According to OECD data, public expenditure on labour market measures developed as follows:

Table 3.2.1.1.: Public expenditure on labour market programmes in Germany (as a percentage of GDP)

	1985	1991	1996	1999
Total expenditure		2.14	3.92	3.42
Active measures		1.04	1.43	1.30
Passive measures		2.52	2.49	2.12
Public employment services and administration		0.08	0.23	0.23

For reference: GDP (national currency at current prices, billions): 3,877.1
Source: OECD, Employment Outlook, 1995 and 2000

Nevertheless, since the economy began to recover in 1998, employment performance in Germany has improved. The overall employment rate rose for the second time in 1990. Unemployment decreased by 0.5m people and underemployment by 1.0m. But employment was still lower in 1999 than in 1994. However, the better performance is partly a result of changes in the measurement of employment. There have been two significant revisions (in April 1999 and August 2000) to the national accounts data, which are the source for total employment data. The result of the revision is, on the one hand, an increase in the total number of employed and, on the other hand, a reduction in the drop in employment over the 1990s. The apparent growth of GDP per person employed, or productivity, is now substantially lower than in former accounts.

3.2.2. Regulatory framework

Since the introduction of freedom in trade in 1869, commercial job placement was permitted without restriction. In addition to commercial job placement agencies, there were the most varied forms of non-profit-making job placement services in the late 19th century and the early 20th century. The end of the 19th century was characterised by a coexistence of high

unemployment due to massive job losses in agriculture, and a shortage of labour in the newly emerging industries. This situation was exploited by untrustworthy placement agencies. In quite a few cases the commercial agencies made business out of the difficulties of those seeking employment. From the employers' side, too, collaboration with commercial job placement agencies did not bring only advantages. In some cases they became victims of subtle poaching practices. The cases of misuse in the end led, in 1910, to the legislator making job placement a trade requiring a licence. In 1922 the local placement offices were put under the control of an Imperial Office for Job Placement (Reichsamt für Arbeitsvermittlung) (the predecessor of today's public employment service) and subordinate regional offices for job placement. Furthermore in 1922 the issue of new licences for commercial job placement was stopped and existing licences were phased out after a maximum of 10 years (1931). In 1927 the so-called "Imperial Institute for Job Placement and Unemployment Insurance" (Reichsanstalt für Arbeitsvermittlung und Arbeitslosen-versicherung) was founded. In addition most of the non-commercial placement organisations were gradually transferred to the Imperial Office. The remaining placement organisations passed into insignificance. The phasing-out regulations remained in place for the commercial job placement services. A ban on commercial placement services came into force on 1 January 1931. It accounted for the placement monopoly of the public labour administration and was to remain virtually unchanged until 1994.

For more than six decades (from 1931 to 1994) a placement monopoly existed in Germany which virtually prohibited private agencies, in particular those working on a commercial basis, from carrying out activities in the field of job placement and placement in training places, and gave the public employment service (*Bundesanstalt für Arbeit - BA*) sole responsibility for job placement. Apart from a few exceptions, commercial forms of private job placement in particular were prohibited. In 1994 the picture changed. Since then the conducting of private job placement (though not placement in training places) has been permitted. The BA has lost its exclusive rights, i.e. public and private placement services can now exist side by side. However, according to the new law, private placement services are only permitted with a licence from the public employment service. It must be emphasised that the deregulation took place in a period of unfavourable basic economic conditions which was characterised by a serious recession and increasing unemployment.

Before the 1994 liberalisation four areas were exempted from the public placement monopoly, these were: (1) the delegation of placement tasks to non-profit, charitable organisations; (2) the delegation of placement tasks to profit-making performer and modelling agencies; (3) the supply of labour by temporary work agencies (TWA); (4) the placement of managerial staff (headhunters).

The supply of *temporary workers* by commercial agencies was permitted because it was not regarded as job placement. In 1972 the legislator regulated the supply of labour by temporary work agencies with a special law. The intention of this law was to monitor the temporary employment business in order to prevent disruptions on the labour market. Furthermore the regulations were intended to ensure a minimum level of protection regarding industrial law and social insurance matters for the agency workers. This branch has, however, always been characterised by illegal forms of employment which are particularly common in the construction industry. In 1981 the legislator introduced a strict ban on the supply of temporary workers in the construction industry in an attempt to put a stop to illegal activities. There are also legal restrictions concerning the maximum duration for which workers may be hired out. The maximum duration has, however, been continuously increased in the course of time. It

rose from three months in 1972 to initially six months in 1985, then to nine months in 1994 and finally to twelve months in 1997.

However, the legislative framework for TWAs was not so much affected by deregulation in 1994. The so-called "synchronisation ban" was partially relaxed. In addition to legislation, this regulation states that the duration of the employment relationship must at least exceed the first period of temporary work done for a lessee. The revision made this regulation invalid if the agency worker enters into an employment relationship with the lessee immediately after the period of temporary work and the agency worker had been classed by the public employment service as hard-to-place. Nonetheless, regulations on TWAs are still stricter than in most other EU countries (see Table 2.3.1.).

The legal regulations on TWAs have always been closely linked to job placement in Germany. What is decisive in the differentiation of the two issues is where the employee has his/her contract of employment. According to the currently valid law the employer function is concentrated on the lessor in the case of hiring out labour, and in the case of placement it is concentrated on the "lessee" company. For the practical implementation of the differentiation the legislator imposed a ban on fixed-term employment from the outset, requiring an absolutely unlimited employment relationship between the lessor and the agency worker. Independently of this the permission for hiring out workers made it possible to by-pass the placement monopoly, since businesses in which temporary workers are placed can utilise the deployment of agency workers in their search for employees to be employed on a longer-term basis, which made TWA workers even more attractive and also made TWAs more important in their additional placement function. From an economic point of view the supply of labour by TWAs can function at least in certain cases as a substitute for job placement (Walwei 1998).

3.2.3. Public services

Organisational structure of the Federal Employment Service (BA)

The Federal Employment Service (Bundesanstalt für Arbeit) covers placement and unemployment insurance. In contrast to the other countries under consideration, it is financed largely from contributions paid by employers (50%) and employees (50%). The BA is a public institution with administrative autonomy. In matters requiring no government regulation, the BA's duties are organised and carried out by tripartite bodies. Representatives of employees, employers and public institutions serve without remuneration in the BA's governing bodies. These are the Board of Governors (*Verwaltungsrat*) and the Managing Board (*Vorstand*). At the level of regional employment offices, the duties of autonomous administration are handled by Management Committees (*Verwaltungsausschuss*). The Federal Employment Service has three categories of offices: 181 local employment offices (*Arbeitsämter*), with about 660 branch offices, 10 regional employment offices (*Landesarbeitsämter*) and the head office (*Hauptstelle*) in Nuremberg.

The BA is responsible for placement in jobs and training places. Public placement services are an integral part of public labour market administration. In addition to the actual placement activities, the BA has tasks such as the administration of unemployment insurance schemes, the organisation of further training and retraining schemes for job-seekers, the implementation of job-creation schemes and the dissemination of labour market information. One of the main reasons for the job placement monopoly in the period after the Second World War was the idea that the incorporation of various and exclusive functions in one institution may offer the

advantage of comprehensive and active employment measures from one single source. In this sense of combining benefit and employment service functions within the same organisation, local PES in Germany can be regarded as already acting as "one-stop-shops" for the majority of their clients.

Although the utilisation of the public placement services is basically voluntary, there is an obligation for unemployed benefit recipients to report to the employment service at regular intervals. In contrast there has never been an obligation on the part of the employers to register job vacancies with the employment service. There was never a so-called "job filling monopoly", which would have enforced a compulsory involvement of the public employment service in job filling processes (Walwei 1998).

The PES is relevant particularly for the unemployed in urban and rural areas, for skilled and qualified blue-collar and white-collar workers. It gathers vacancies from both large enterprises and small and medium-sized companies. There is no difference in gender and it is equally relevant for young and older job-seekers.

The BA has 84,000 employees across the country. 26,000 of the staff members are mainly concerned with placement. Measured against the annual average of unemployed in 1999 (4,099,000), there was one placement officer for every 158 unemployed people. Placement tasks are organised mainly according to professional categories. In 1999 the BA realised 3,739,000 placements and registered 4,043,000 new vacancies.

Table 3.2.3.1.: Market shares of the German PES

	Hirings (in 1000s)	Inflow of registered vacancies (in 1000s)	Placements (in 1000s)	Vacancy registration rate (as a %)	Success rate (as a %)	Penetration rate (as a %)
	1	2	3	2/1	3/2	3/1
1985	5 836	1 553	1 178	29.6	77.4	22.9
1990	7 600	2 297	1 550	32.5	67.6	22.0
1995	5 993	2 337	1 731	42.2	74.1	31.2
1999	8 495	4 043	3 739	48.0*	73.4	35.2

**) estimate*

Source: BA official statistics (various years)

Table 3.2.3.1. shows that liberalisation in 1994 did not lead to a decline in the performance indicators of public placement services. In contrast, there has been a steady growth in the penetration and vacancy registration rates since the mid-1990s.

The conception of the BA is to become a customer-friendly service agency by shifting away from being a central actor to being a (decentralised) manager of networks. Its ambitious aim is to become "the first address for services on the market for all gainful employment". Recently measures have been implemented to reduce bureaucracy and simplify administration ("Employment Office 2000"). Decision-making is now more decentralised and local employment offices have been given greater competencies. There are plans to set up a controlling system (monitoring of efficiency) and to amplify self-service systems. At present 12% of job-seekers (0.5 million out of 4.2 million PES placements) use self-service systems

(incl. Internet). The remaining 88% of job-seekers still consult placement officers. The information on job applicants is made available to enterprises via terminals, the Internet and via placement officers. The BA has a leading position in online job databases. Self-service vacancy information services for jobs and training places are available in the employment offices as well as via the Internet. The BA website www.arbeitsamt.de is the largest employment website in Germany. In February 2000, 360 000 job offers were placed in the job vacancy database (SIS) and 1.5 million job-seeker profiles were placed in the Employer Information System (AIS), which was implemented in 1998. 200 000 training place offers were placed in the training places database (AISS). Additionally specialised job databases have been implemented covering special market segments: managerial staff, start-ups (since 1999), IT (since 2000) and engineers (2001). The aim of SIS, AIS and ASIS is to simplify the matching process. So far placement officers still have to screen the profiles of applicants and vacancies before putting the data into the job databases (see BA 1999 and IAB survey 2000).

The considerable efforts already made to improve the efficiency and effectiveness of the public placement services, especially the forced implementation of self-services and of one-stop-shop employment offices are not least a positive consequence of the deregulation.

Services for *companies* include not only placement but also advice on staff and training, support to prevent redundancies and advice on working time management. There are regular contacts between the PES and enterprises through targeted information meetings of employers and PES staff and through call centres and the Internet. The arguments of the enterprises concerning the main inefficiencies of PES are the unwillingness of the unemployed to work, unsuitable applicants and the fact that public agencies are too bureaucratic and too slow (see IAB survey 2000).

Since 1994 the IAB employer survey of vacancies has provided information regarding methods of filling vacancies. The table below shows indicators for the use and the success of various search methods. According to this information, newspaper advertisements and informal channels are still the most frequently selected and most successful search methods. The surveys have only recently begun to include the Internet as a further job search possibility. There is therefore still a lack of reliable results. The success rate of the PES differs considerably from the official statistics. Whereas according to administrative data the success rate of the PES in 1999 was 73.4% (eastern and western Germany), the survey data resulted in 37% for western Germany and 65% for eastern Germany. One reason for these discrepancies may be the fact that surveys rely very much on employers' memories. Especially the large number of short-term vacancies must be underrepresented. This is relevant here because the PES has a considerably high market share in these segments, which may explain at least in part its underestimation in survey data. The other possible reason for differences between administrative and survey data is a lack of reliability in the vacancy and placement figures of the PES.

Table 3.2.3.2. Recruitment methods: use and success in filling vacancies in Germany (1994-1999) as %

	Western Germany							Eastern Germany						
	Used search channel			*Successful search channel*			*Success rate*	*Used search channel*			*Successful search channel*			*Success rate*
	1994	1998	1999	1994	1998	1999	1999	1994	1998	1999	1994	1998	1999	1999
	1			2			2:1	1			2			2:1
Wanted ads placed by company	51	50	55	42	39	35		24	23	25	18	13	13	
Reply to ads placed by job-seekers	6	6	8	3	1	1		6	4	4	2	1	1	
Public employment service	32	38	38	10	13	14	37	37	49	54	22	34	36	66
Private placement agencies	2	2	6	1	2	2	0,4	2	1	2	1	1	1	0,5
Display at the company gate	3	4	3	1	1	1		2	1	3	1	0	1	
Internal advertisement of job	14	17	19	2	3	3		7	6	8	2	2	2	
Selection from applicants who had applied on their own initiative	18	18	23	12	12	12		18	13	18	17	9	12	
Information from existing employees	25	24	29	16	15	18		36	28	30	27	18	17	
Without specification				10	14	8					12	22	18	
Total	151	159	180	100	100	100		132	125	145	100	100	100	

Source: IAB survey of vacancies (various years)

3.2.4. Private services

The law in force for PRES since 1 August 1994 provides for an authorisation procedure for TWAs and recruitment and selection agencies. Thus private employment services can only operate with the authorisation of the Federal Employment Service (Bundesanstalt für Arbeit). One condition for the authorisation is an application for a licence to provide employment services. A licence to provide employment services is granted if the following four conditions are satisfied:

- personal suitability,
- police certificate that the applicant does not have a criminal record,
- prescribed assets, and
- appropriate business premises.

In operating the employment agency, the licence-holder must also observe a wealth of requirements. In particular, he may not request any fees from job-seekers. When an application is made for the first time the licence is initially limited to three years. On further application it can then be extended indefinitely. The BA charges a fee of DM 1 250 for issuing a limited licence and DM 3 500 for a permanent licence. The amount to be paid by the employers is graded according to percentages of the remuneration that the employee who has been placed is entitled to for their period of work, and ranges from 12-15% (see Walwei 1998). In the case of private online job-providers there is no general licence obligation if the online provider does not charge anything or charges very little (up to 20%) from the job-seekers.

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Temporary Work Agencies

Even before 1994 and since then there has been an increase in the importance of the supply of workers by temporary work agencies (TWA) in Germany. Such agencies increased considerably in number especially in the second half of the eighties and the early nineties. In 1985 the figure was 1722 temporary employment agencies, but this rose to 5343 in 1990 and to 11,2000 in 1999. It must be pointed out here, though, that at each of these times about a third of the temporary employment businesses registered reported no stock of temporary workers. Somewhat more than 40% of the TWAs reported that the supply of temporary workers was their sole or principle business objective. Since 1986 the statistics have been dominated by so-called "mixed enterprises", in which "normal" employment in the company predominates against the hiring-out to another employer (lessee).

Taking employment trends as a basis, the supply of temporary workers is one of the most strongly expanding economic branches in the whole economy. On average the growth rate was 14% in the period 1975/1999. In 1999 TWA employment accounted for 1.1 % of dependent employment (BA statistics) and 0.6 % of total employment (CIETT 2000).

Table 3.2.4.1.: **Temporary Work (TWA) in Germany[a]**
as a percentage of dependent employment

1980	1985	1990	1995	1999
0.2	0.3	0.5	0.6	1.1

[a] *since 1995 western and eastern Germany*
Source: BA, IW 2000

TWAs are relevant mainly in urban areas and predominantly for large enterprises in industry. The female-dominated service sector is still under-represented. Like in France the TWA employment sector is male-dominated (76.4%). Some of the TWA workers are less qualified (27.7%) but to a greater extent they are skilled and qualified (45.6%). TWA work is mainly relevant for younger people: 57% of the male and 63% of the female temporary employment workers were younger than 35. This fact is an indication that TWA work in Germany is suitable for giving new entrants and students a first employment chance. This is probably the consequence of the partial relaxing of the synchronisation ban in 1997. Since then TWAs have been allowed to test temporary workers during their first period of employment, in other words their first use by a lessee company. As a consequence, in contrast to the former law, the employment relationship between the agency (lessor) and the worker can start off with a fixed-term contract. But the legal regulations continue to be an obstacle for the supply of workers by TWA.

According to the CIETT, 6% of the agency workers who were previously "outsiders" (total 24%) are new entrants and students, 10 % unemployed and 8% other non-participants. 29% of the agency work is converted into non-agency jobs (permanent or fixed-term) after one year. There are potentials for a further growth especially in the service sector in which TWA work is still under-represented (see IAB survey 2000, BA 1999 and CIETT 2000).

In contrast to France, employers in Germany are calling for further deregulation. They claim that the comparatively tight time and sectoral restrictions hamper the utilisation and expansion of TWAs. They demand that the ban on temporary work in construction be lifted, and put forward proposals to link a currently discussed reform with regulations by collective

agreement (see IW 2000). At present the TWA employers' association has no bargaining role in the sector. Interestingly in Germany, where sectoral bargaining is the norm, there is no sectoral agreement for the TWA industry. Trade unions in Germany have traditionally seen TWAs as a threat to minimum employment standards and open to abuse. Now they are tending more and more to accept TWA employment and concentrate on pressing for better regulation and coverage by collective agreements. But despite the greater acceptance, there are still widespread concerns about the problems of organising TWA workers.

Private intermediaries

Before deregulation in 1994 the operation of the permitted non-profit placement agencies, performer and modelling agencies and "personnel consultants" had been increasing steadily. In the mid-seventies there was a real wave of e.g. consultant agencies being set up. Especially at the beginning of the 1980s and, as a result of reunification, in the early 1990s, the number of performer and modelling agencies grew and has been increasing until the present. In the last year before deregulation there were 220 agencies performing placement activities for arts-related occupations. The number of placements made by them also rose to more than 187,000 by 1992 from 115,000 in 1979 (see Walwei 1998).

Since the deregulation in 1994 the number of job placement licences has been increasing steadily. New agencies are gaining more market share particularly in the area of qualified staff. PRES agencies are engaged by enterprises mainly because they have contracted out the tasks concerned with the selection and recruitment of staff or because of the PRES' greater attention to job requirements or because they need skilled workers or managerial staff (see IAB survey 2000).

Although the development of PRES has so far not been at all spectacular, the number of private employment agencies making placements lasting more than seven days, albeit from a very low base, has risen sharply in volume but is still not of great significance. Private agencies were responsible for a good five per cent of total agency job placements. In terms of overall job placements, the market share of private employment agencies in western Germany, however, is just over two per cent (see Figure 3.2.4.1.). Key figures from the private employment services largely support the official BA statistics. According to these statistics, for the period 1994-1999 4.7% of all placements were made by PRES. The number of placements effected by the 5,051 private agencies was 496,957 (= 11% of placements made by public or private agencies). 196,406 of these private placements (= 39%) were made by commercial agencies, 184,324 (= 37%) by non-profit agencies and 24% by others (without specification).

Figure: 3.2.4.1. Market Shares[1] of Public and Private Job Placement Agencies in Western Germany (1979-2000[2])

1) Defined as number of placements (>7 days) divided by the number of hirings (=penetration rate)

2) Data for 2000 estimated

In addition to quantitative developments (e.g. regarding the number of placements or market shares) the relationship of public and private placement services also has a more qualitative dimension. Public and private placement services can work together. Co-operation between the two has been rather rare so far, but there has recently been an increasing trend like that in other EU countries. There are bilateral agreements between the BA and private agencies in many areas. They range from bilateral recommendations in order to increase the matching possibilities, the mutual use of job-seeker and vacancy databases to the delegation of placement tasks to PRES. Furthermore PES authorities are managing competition and are supervising in detail what private-sector service providers are doing. The official BA view is that they do not compete with private agencies and that co-operation and partnership with profit-making agencies as well with voluntary and public bodies is beneficial, and the PES/PRES linkages, especially at local level, will increase in the future (see IAB survey 2000). According to the information and estimations available so far the regulations concerned with private job placement have proved to be appropriate.

The effects of the deregulation of job placement that are visible so far must not lead to the rash conclusion that the picture could not change in the future. With respect to the commercial

supply of temporary workers and to commercial job placement, the available potential does not yet seem to be entirely exhausted. Profit-making PRES could increase their activities in the future if they provide more "one-stop-services": counselling, skill testing, skill upgrading and training and if they operate alone in areas where consulting and audits are involved, because private corporations consider the culture of private bodies closer to their own (see IAB survey 2000).

3.3. The Netherlands[4]

3.3.1. Basic labour market information

In the 1970s and early 1980s, the Dutch economy did not perform very well and significantly worse than other European economies (for more information on the labour market background see: OECD 1998). But in 1982 the economy began a recovery and expansion which, despite some cyclical ups and downs, has continued to be present. For about a decade (1983-1993) real GDP growth remained broadly in line with the EU average. Then the economic downturn of 1993 was considerably milder in the Netherlands than in the rest of the EU and the subsequent recovery has been significantly stronger. In terms of employment creation the performance since 1982 has improved considerably and markedly better than most other countries in the Western world. The Dutch employment growth for the period 1996-2002 is estimated at about 2.7% a year whereas the rate for EU-15 is estimated at about 1.3%. Since the majority of net jobs created over this period have been on a part-time basis, in full-time equivalents the employment performance has been somewhat less impressive, although still significantly better than most of the other European countries. As a result of strong employment creation unemployment has fallen significantly to rates of recently less than 3% (compared with approximately 8 % in the EU-15).

The main reason for the recovery was the major reorientation of economic policy decided in 1982. The policy switch represented a move towards a more medium-term, supply-oriented approach, stressing fiscal consolidation and regulatory reform. An important element of this approach was a long-term wage moderation which was secured in the "Wassenaar Agreement" between employers, trade unions and the government. The agreement also included, as a counterpart, a reduction in working-time. More recently, as the government has eased restrictions on working hours, the renewal of fixed-term contracts, and the deregulation of temporary work, flexible contracts have grown rapidly in number. Furthermore, active labour market schemes as well as the social security system have increasingly followed a strategy of activating the jobless. In the meantime, economic growth and the rise in the number of vacancies has made it increasingly difficult to find suitable staff.

3.3.2. Regulatory framework

Before 1991, the Dutch PES was a Directorate General of the Ministry of Social Affairs and Employment. The institution, which was founded in 1940, held a formal monopoly in job placement and was organised in a rather centralised way for decades. The main concern was the placement of job-seekers, guided by financial resources given by the government. At that time, each province had its own district office with mainly administrative rules. The 1991 reform (Employment Service Act) changed the PES from a centralised government organisation with a formal monopoly in job placement into a strongly decentralised non-

[4] This part of the paper is largely based on two sources: de Koning 1997 and the results of the IAB survey on the "Future of the PES in Europe" carried out in 2000.

governmental organisation which has to face competition from private agencies. According to this act the main task of the PES was to promote an efficient and justifiable functioning of the labour market (Dercksen and De Koning 1996).

At the top of the PES is the Central Board (CBA). As a result of the reform 28 Regional Boards (RBAs) were installed, each with their own regional office and a great deal of autonomy in the way they spend the budget allocated to them. With the further reorganisation in 1997, the number of RBAs was reduced to 18. The RBAs are responsible for the employment agencies, centres for professional training and other specialised services. The main distinction between the CBA and the RBAs is that the Central Board must take care of tasks which require policy regulation and execution at a central level whereas Regional Boards must control offices in their particular area.

The 1991 reform also transformed the PES into a tripartite organisation. The CBA as well as the RBAs consist of the following three parties: the employers' organisations, the employees' organisations and the government (which means in the case of the CBA the departments of Social Affairs, Education & Science, and Economic Affairs and in the case of the RBAs, members of the municipalities).

In 1997, a new Employment Service Act came into effect. The main changes compared with the Act of 1991 are as follows: The central government resigned from the CBA board and three members of the crown were appointed instead. Besides the task of promoting an efficient and justifiable functioning of the labour market, a clause has been added regarding service for hard-to-place job-seekers. Therefore, the role of the PES is less comprehensive. Third parties are hired if they can work more efficiently. The PES now also co-operates with private intermediaries to offer employers a wide range of services.

Because of the old Employment Service Act of 1930 the PES held a monopoly in job placement before 1990. Due to abuses, as early as 1913 a "Commission of State on Unemployment" recommended the gradual abolition of profit-seeking agencies by a licence system (for the historical background see: van Bekkum 1989). However, it took until 1930 before this recommendation passed into law. By force of this regulation only agencies which had been founded before were entitled to a licence. After the Second World War, regulation became even more restrictive. Non-profit employment agencies were subject to a compulsory licence system. And in practice very few licences were granted. Licences for profit-seeking agencies ceased to exist after 1945. However, personnel management (incl. executive search) was never forbidden.

The far-reaching restrictions concerning private recruitment agencies should not be attributed solely to the prevention of expected abuses. In the Netherlands these abuses, although existing, never seem to have been a severe social problem, and have certainly not been so since the introduction of the licensing system in the early 1930s. The reason for the restrictions was rather the conviction that the PES should gain a monopoly in terms of job placement.

Although the PES held a monopoly in job broking before 1991, commercial agencies for temporary work were already widespread in the country. In general, their main business is the temporary placement of workers in companies, for which they receive a fee. The workers remain under contract to the temporary work agency (TWA). Officially, TWAs are not engaged in job placement. However, in practice a number of firms use temporary work as a selection device for workers they want to employ permanently, and job-seekers use it as a

search channel for permanent jobs. Therefore, temporary work was and is a substitute for job placement. But one has to bear in mind that placement in permanent jobs through temporary work is not the core business of TWAs: it is a by-product of their work. Before 1991 temporary labour was licensed and separately arranged in a special law. In 1991 the licensing policy was incorporated into the Employment Service Act mentioned earlier.

The formal monopoly of the PES ended in 1991. Since then, third parties have been allowed to enter the job placement market only when granted a licence by the CBA. The conditions for this are: (1) The job-seekers do not have to pay more than the real costs for job placement. (2) No job placement may take place for firms which are on strike, excluded or occupied. (3) No distinction may be made between the different categories of people seeking for employment. The Employment Service Act of 1991 also changed the definition of job placement. In contrast to the past, also other mediators such as outplacement, recruiting and selection offices now fall under the licence obligation. The licensing system concerning TWAs was abolished on 1 July 1998 whereas the licensing system for job broking is still in force (for more details concerning the regulation of TWAs in the Netherlands see: Table 2.4.1.). The licensing system is seen as liberal enough not to hamper the growth of private agencies.

3.3.3. Public services

In 1991 the PES was converted from a Directorate-General of the Ministry of Social Affairs and Employment into an independent institution. Its main aim (since the Act of 1997) is described as follows: "The Public Employment Service aims at the promotion of an equilibrium between the supply and demand for labour on the labour market, especially the provision of services for hard-to-place job-seekers". Every local employment office offers a broad and uniform package of services to (potentially) all employers and job-seekers (European Commission 1999). Furthermore, employers can use additional services for a fee, such as intensive recruitment and selection, advice on selection and suitability, personnel and training advice, and advice in the area of personnel management, project and contract training, and outplacement. The PES traditionally does not cover the unemployment insurance scheme but supports the unemployment benefit administration by checking the willingness of the unemployed to work.

At the beginning of the 1990s the efforts of the PES were essentially aimed at certain target groups (e.g. long-term unemployed, ethnic minorities and women). However, it became clear that this approach would not necessarily lead to an effective distribution of resources. There are two reasons for this. First, not all representatives of a "target group" are equally disadvantaged. Second, there can also be significant numbers of hard-to-place job-seekers outside these target groups. Therefore, awareness grew that it would be preferable to assess a job-seeker's personal distance from the labour market and to classify the job-seeker accordingly. As a result of this, four phases (classifications) were defined in the Job-seeker Classification Scheme which has been in use in all regions since January 1999: (1) The job-seeker is ready for immediate job placement. (2) The employment prospects require some improvement – by means of measures lasting less than one year. (3) The employment prospects require a more comprehensive improvement – through measures lasting more than one year. (4) Hardly any prospects of finding work.

This means that the outcome of phasing determines the kinds of intervention and services that are available to a job-seeker. On the basis of the classification a proposed individual action plan is drawn up in which the unemployed person is fully involved. The duration of individual

action plans depends on the content of the plan and may be anything between six months and two years. The plans may include assessment, application training, occupational (re)training, occupational guidance, work experience, etc. The aims of JCI phasing are: (1) Tailor-made services at an early stage. (2) Better information for the client on possibilities on the labour market. (3) Favouring work over benefits.

As already mentioned, the Dutch PES operates through a network of head, regional and local offices. On average each local office was able to serve almost 2,800 unemployed clients (number of unemployed in 1999 based on official Dutch figures: 555,000). The Dutch PES currently employs about 9,000 people, 3,500 of whom are involved in some kind of job placement. The number has almost doubled since the late 1980s. In 1999 each staff member (placement officer) could serve an average of 62 (158) unemployed clients. The job matching service provided by the Dutch PES is divided into economic sectors. This means that front-line staff are responsible for certain types of industries. The Netherlands is one of the OECD countries with the highest level of public spending on labour market programmes (see Table 3.3.3.1). The already high share of expenditure (as a % of GDP) has increased even further since 1985. A large part of the increase is due to the expanded PES budget – not least because of the increased staff.

Table 3.3.3.1.: Public expenditure on labour market programmes in the Netherlands (1985-1998)

	1985 % of GDP	1999 % of GDP
Total expenditure	4.15	4.61
Passive measures	3.04	2.81
Active measures	1.11	1.80
of which: PES	0.09	0.38

Source: OECD 1989; OECD 2000

Official data provided by the Dutch PES offers quantitative information about stocks and flows of job-seekers and vacancies. Since most of the registrations can be assumed to be involuntary in the case of the unemployed job-seekers, such information mainly documents the ups and downs of the business cycle. In contrast to the registration of job-seekers, the majority of vacancy registrations is by and large voluntary. Table 3.3.3.2. below provides information about the number of registered vacancies and of placements.

Table 3.3.3.2.: Market shares of the Dutch PES.
Results from administrative data

	Hirings (in 1000s)	Inflow of registered vacancies (in 1000s)	Placements (in 1000s)	Vacancy reg. rate (as a %)	Success rate (as a %)	Penetration rate (as a %)
	1	2	3	2/1	3/2	3/1
1988	580	214	123	37%	57%	21%
1991	804	243	129	30%	53%	16%
1992	774	241	148	31%	61%	19%
1993	612	257	156	42%	61%	25%
1994	591	273	175	46%	64%	30%
1995	707	273	161	39%	59%	23%
1996	705	262	169	37%	65%	24%
1997	656	286	175	44%	61%	27%
1998	790	329	183	42%	56%	23%
1999	882	315	159	36%	50%	18%
2000		306	121		40%	

Source: Dutch Employment Service

The main disadvantage of absolute figures is that they tend to disregard the overall market. The number of registered job-seekers does not refer to the total number of job-seekers, and the number of registered vacancies as well as the number of placements do not represent the total number of hirings. Because absolute output figures depend very much on the business cycle they should be interpreted very carefully. Changes in output figures may reflect the economic situation and not only efforts. But this criticism can be countered by the use of market shares. Such data could either be provided by administrative data or by survey data (see Tables 3.3.3.2 and 3.3.3.3).

Survey data shows that since 1997 the PES has lost its predominant role as intermediary to PRES (incl. TWAs). According to this data the market reach of the PES has decreased to a share of below 20 per cent whereas the market share of PRES is in the meantime (latest data from 1998) well above 20 per cent. However, other recruitment channels such as advertisements and informal contacts are more important than intermediaries. Over time an average of 10 to 15 per cent of vacancies are filled by the PES. Concerning the market share of the PES, there has at least been no significant decrease since the de-monopolisation.

The proportion of unemployed people among the people hired is higher where the PES is used as the recruitment channel than for other channels. This indicates that the PES may have at least some added value concerning the placement of unemployed people. The use of the various recruitment channels varies between the branches of industry. The use of the PES is quite evenly spread across the country (urban and rural areas) and sectors. The main inefficiency of the PES from the viewpoint of enterprises is that skilled personnel cannot be supplied.

Table 3.3.3.3. Market shares of recruitment channels in the Netherlands: Results from employer surveys 1988-1998 [a])

a) Use of recruitment channels as a %

	PES	PRES (incl. TWA)	Advertisements	Informal channels [b])	Total
1988	19%	10%	42%	54%	125%
1990	21%	14%	52%	48%	135%
1992	18%	11%	47%	54%	130%
1994	22%	8%	30%	53%	113%
1995	20%	13%	30%	64%	127%
1996	20%	16%	30%	58%	124%
1997	17%	19%	34%	49%	119%
1998	16%	26%	41%	47%	130%

b) Market share of recruitment channels as a %

	PES	PRES (incl. TWA)	Advertisements	Informal channels [b])	Total
1988	12%	7%	35%	47%	101%
1990	9%	7%	43%	40%	99%
1992	10%	7%	39%	44%	100%
1994	16%	6%	26%	53%	101%
1995	13%	10%	24%	53%	100%
1996	13%	12%	25%	51%	101%

c) Success of recruitment channels as a %

	PES	PRES (incl. TWA)	Advertisements	Informal channels [b])
1988	63%	70%	83%	87%
1990	43%	50%	83%	83%
1992	56%	64%	83%	81%
1994	73%	75%	87%	100%
1995	65%	77%	80%	83%
1996	65%	75%	83%	88%

[a]) This survey was stopped in 1999, but will be continued in 2001. For 1997 and 1998 no information is available on market shares.

[b]) Informal channels include e.g. spontaneous applications, recommendations of own personnel

Source: Dutch PES (Hoe werven bedrijven)

The PES Internet sites are playing an increasing role as a communication tool. Part of it is a 24-hour vacancy presentation.[5] In general, employers are free to choose between a fully-open presentation of the vacancy (where full contact details are shown) or a semi-open presentation (where the job-seeker has to ask the employment office for contact details). According to estimations, 25% of the vacancy intake is filled by self-service activities (see IAB survey

[5] So far no direct information on job applicants is made available to enterprises. Enterprises still have to engage a placement officer.

2000). In addition, there is an Internet site available to employers which provides information, news and interactive facilities (discussion and helpdesk). Similar Internet services are available for job-seekers.

Municipalities are another important public provider of labour market policy. Decentralisation of the public welfare system has created a situation in which municipalities have a large degree of autonomy in developing local welfare arrangements. Their aims are to combat social exclusion and to promote participation in employment. This has become even more pronounced since political attitudes towards the benefit system are being increasingly directed towards activating benefit recipients. National legislation explicitly requires that the municipalities seek to reintegrate beneficiaries (incl. job placement). Municipalities also play an important role in the envisaged Centres for Work and Income – CWI – (van Yperen 2000).

Local community social services, social security agencies and the PES are in the process of establishing one-stop-shops for work and income. The central aim of this process is to reintegrate job-seekers as quickly as possible into suitable employment. In the near future, anyone seeking employment or in need of social benefits must apply to a Centre for Work and Income. Before any benefits can be claimed, the CWI first checks whether there is suitable employment available for the applicant. In addition, the categorisation of every client will be assessed in the new centres.

The establishment of CWIs will cause a split up of the PES. The basic, public free services of the PES will be integrated into the new CWI structure. As a consequence of this process, the tripartite structure of the PES will be brought to an end. The PES section at the CWI will provide services for matching demand and supply. In addition to the regular services already mentioned, a national vacancy and job applicant database will be provided. The PES with the CWI will also be responsible for intake interviews with the unemployed, providing an assessment of the registered person's distance from the labour market. The CWI model is still in the process of implementation (but almost completed). The other reintegration unit of the PES is in preparation for independent legal status. It will offer employability services to job-seekers (such as career intervention, outplacement, mobility programmes and training) and personnel services to employers. In the years to come, further privatisation of reintegration services is planned in order to introduce greater competition in this area (for more details see: Stroink 2000).

3.3.4. Private services

Before 1990 there were three major types of PRES dealing at least in part with job placement (for more details see: van Bekkum 1989). A first category was personnel management agencies, which provided a wide variety of services in the area of organisation management and human resources management. Once these firms had conquered a strong position as indispensable experts and advisers, they gradually developed a growing variety of new services, including those related to the recruitment of staff. Another part of this branch comprised expert-firms for psychological advice and psycho-technical measurement in the context of selection procedures. The second half of the 1970s marked the start of a boom period in the industry. The reason for this was that at the growing upper end of the labour market the difficulties experienced by employers in finding and selecting appropriate staff were gaining significance.

Similarly, the growth of the second main category of PRES, the TWAs, started in the 1970s. The number of temporary workers tripled from 18,000 in 1970 to 53,000 at the end of the

1970s. During the recession in the early 1980s TWAs suffered and the number of temporary workers decreased to around 30,000. From 1983 onwards the number of workers supplied climbed rapidly to more than 90,000 in 1986, then slowing down to a much more moderate growth rate. There were three reasons for the growing importance of TWAs in the 1970s and 1980s. First, TWAs were able to attract additional labour supply such as women and students who were willing to work on a temporary basis. Secondly, TWAs were able to organise a segment at the lower end of the labour market. Thirdly, TWAs became a very important mechanism for workers searching for permanent jobs and for employers seeking permanent workers.

A third category that was also of some importance before 1990 was non-profit agencies dealing with specific skills, occupations or groups of people. But there were also other licence-holders such as educational institutions, voluntary organisations dealing with either the after-care of ex-prisoners or the reintegration of handicapped workers into the labour market. A special type of licence-holder was the temporary work agency START, which was specially allowed to supply workers for permanent jobs. The exception made for START was justified by reference to their hard-to-place clients. In addition there were other non-profit agencies providing job-seekers with placement services which did not require a licence. Examples are institutions bound to specific economic sectors (often in co-operation with employer and employee organisations), institutions for vocational training and social insurance and social assistance institutions.

The dynamics of private services increased significantly after the de-monopolisation in 1990. Between 1988 and 1995 the number of TWAs and the number of temporary workers almost doubled. In the second half of the 1990s the increase continued. According to data from the International Confederation of Private Employment Agencies (CIETT), the Netherlands had the largest share of agency workers in the EU in 1998, with 4.5% of total employment (almost 290,000 temporary workers) (see CIETT 2000). The rate is clearly higher than the European average of 1.5%. Their main areas of activity are factory work (about half of all temporary workers) and offices (about one quarter of all temporary workers). The figures also show that, like in other countries, many agency workers in the Netherlands were previously outsiders. 52% of all agency workers (which is again the largest share in the EU) were, prior to agency work, either unemployed, new entrants, students or other non-participants. In addition, agency work seems to enhance employability, although it is temporary labour and not placement which is the core business of TWAs. In the Netherlands, 53% of workers entering agency work were able to move into non-agency jobs after one year in 1998. This also explains the important and increasing role of TWAs as a recruitment channel. In 1998 TWAs (incl. START) had a market reach of clearly more than 20 per cent and a market share of well over 10 per cent (estimate). Increasingly, job-seekers are using both the PES and TWAs as search channels. This is particularly true for young people. Therefore, TWAs and the PES are primary competitors.

Profit-seeking agencies for recruitment and selection, executive search and outplacement still work in specific segments of the labour market. This is particularly true of recruitment and selection and executive search, which mainly concern higher functions. The situation is a little different in the case of outplacement. In a number of cases unions have pressed for outplacement services for the workers concerned. And in other cases firms have been forced to indemnify the workers, which has created an incentive to involve outplacement agencies. It must be stressed that this large-scale form of outplacement was largely carried out by TWAs.

In 1991 the market reach of profit-seeking recruitment agencies (which is part of the total figure for PRES in Table 3.3.3.3.) was 3 per cent whereas the market share was only 1 per cent. Even though the market reach of profit-seeking recruitment agencies was still 3 per cent in 1996, the market share had nevertheless increased to a level of 3 per cent. This indicates a growing success of these agencies in finding good candidates. The IAB survey shows that profit-seeking recruitment agencies mainly serve employed job-seekers, white-collar workers, and many of their clients on the demand side are large enterprises.

The de-monopolisation did not cause a significant change in the role of non-profit agencies. It should be pointed out that the significance of schools, universities and training institutes as placement providers increased only partly. In this category nowadays we find a large number of organisations conducting placement in subsidised jobs. Providing a subsidised job to an unemployed worker may be regarded as a kind of placement activity. The organisation involved often helps the participants to find non-subsidised jobs, that is they act at least in part as search channels. The subsidised job may, therefore, be the first step towards a regular contract with the same or a different employer.

One important impact of de-monopolisation is that co-operation between TWAs or private recruitment agencies on the one hand and the PES on the other hand is becoming more common. Two developments can be observed concerning TWAs. First, the PES and START (which was originally a non-profit agency but is now a private agency) formed, together with another profit-seeking TWA, a strategic alliance in order to compete with other, especially large TWAs. This alliance can be seen as an answer by the government to the growing importance of commercial TWAs. Second, other forms of co-operation between TWAs and the PES were established. For example, employers could hire long-term unemployed as temporary workers at reduced costs. At the beginning, only START was involved in the programme but later on other TWAs became involved too. However, this measure was not successful for two reasons. On the one hand, TWAs and the PES saw themselves as competitors rather than as partners. On the other hand, the creaming effect was high because profit-seeking agencies tended to select the easy cases.

The other area of co-operation between public agencies and the private sector has to do with the new role of the municipalities in the area of labour market policy. Municipalities are legally obliged to co-operate with the PES. However, in practice profit-seeking agencies are more involved too. But the importance of this type of agency should not be exaggerated. This is also due to the fact that the placing of a specific number of long-term unemployed persons in a regular job on a *pro bono* basis is not necessarily profitable. There have even been cases of agencies going bankrupt due to such arrangements. The more the real hard-to-place workers are the target group the more difficult it is to find appropriate employment at reasonable costs for them.

3.4. United Kingdom[6]

3.4.1. Basic labour market information

After the recession in the early 1990s the United Kingdom is recording a considerable improvement in the labour market situation (for more details see: Lindley 2000). The unemployment rate went down from over 10% to less than 6%. Despite the relatively low

[6] This part of the paper is largely based on two sources: Hasluck and Purcell 1997 and the results of the IAB survey on the "Future of the PES in Europe" carried out in 2000.

level of unemployment and the efforts to cut long duration amongst vulnerable groups, almost 30% of all unemployed have been out of work for more than 12 months. The total size of the UK labour force has increased steadily since 1971 although some small drops in the size of the labour force occurred during recessions. In 2000, 79% of the population of working age were in the labour force and 75% were in employment. Whilst the UK is one of the European countries with a comparatively high rate of part-time work, another feature is the rather long hours of work for full-time employees.

In terms of regulation of recruitment, employment, dismissal, redundancy and working conditions the British labour market was already highly deregulated in the 1970s with far less regulation than applied to other European countries. Changes in legislation in the 1980s and 1990s can be seen as a means of shifting the balance of power in the industrial relationship by emasculating the trade unions and giving greater confidence to management. This has led to wage restraint and a greater wage dispersion. The wage development as well as certain macro-economic factors (such as considerable tax cuts and a devaluation of the British currency, both in the early 1990s) boosted the economy and employment in the second half of the 1990s. Another explanation for the good performance of the UK economy is the early liberalisation of the markets for goods and services. In Europe the UK pushed ahead with privatisation in the 1980s. One problem with this is that it may result at first in a considerable decline in employment as a result of redundancies. But after this transitional period new products are developed, the quality of products increases and prices fall.

3.4.2. Regulatory framework

There is a variety of organisations involved in the provision of job placement services in the UK. Historically, the PES, known as the Employment Service, has played the predominant role as an intermediary. In addition, public services associated with job placement are provided by the Careers Advisory Service and the Training and Enterprise Councils. In the private sector we find the whole range of fee-charging employment agencies, a large number of temporary work agencies, and finally non-profit services based in the voluntary sector or in education.

There was a PES in the UK as early as the beginning of the last century. Since 1910, it has continued to perform a job-broking function. The PES undertakes a number of matching services through its Jobcentre network, including the advertising of employers' vacancies, the selection of prospective candidates and job-search advice. It also operates a number of schemes for the long-term unemployed and other priority groups. Training programmes, however, are the responsibility of the Training and Enterprise Councils (TEC). Careers guidance and, to a lesser extent, job placement for school-leavers and young people is provided by the Careers Advisory Service (CAS).

In April 1990, the Employment Service was designated an executive agency within the Employment Department Group (now the Department for Education and Employment – DfEE). Each year the Secretary of State for Education and Employment sets performance targets for the PES and allocates resources to enable the Employment Service to meet them. However, the Employment Service now has greater autonomy and flexibility in the way in which it delivers its services to clients on both sides of the market. This change can be seen as a response to the growth of PRES in the UK. The Employment Service offers job placement to all job-seekers but, as it is responsible for the payment of unemployment benefit and the delivery of labour market programmes, it is particularly associated with the placement of unemployed job-seekers.

The provision of a free national matching service and the administration of the unemployment benefit regime by the Employment Service (ES) are the central features of the active labour market system. This was not always the case during the last decades. For instance, Jobcentres and Benefit Offices were split in 1974. People only had to visit Jobcentres once a week. In 1980 it became once a fortnight and between 1982 and 1986 the unemployed did not have to sign on at Jobcentres at all. Thus, because of broken links between job matching and benefit administration the system had become essentially passive. People only had to sign on at Benefit Offices in order to receive their benefits. 1986 brought a change to the system. A number of initiatives, collected under the term "stricter benefit regime" began to increase the labour market focus of the benefit administration (see Wells 2000). Of great importance in this context was the introduction of Restart. The long-term unemployed were invited to come to an interview at a Jobcentre. The interview included discussion of why individuals remained unemployed, and further options. In conjunction with the payments the placement function of the ES seeks to promote and improve job search.

With the introduction of the Job-seeker's Allowance in 1996 the link between job broking and benefit administration became even stronger. The Job-seekers Allowance is a fully unified unemployment benefit system which combines both contributory (social insurance) and means-tested (social assistance) benefits. People are expected to be actively seeking work and available for work and the intervention promotes continuous job search by requiring regular (fortnightly) attendance at a Jobcentre where vacancies are available. Under this approach the payment of benefit itself can be seen as an active labour market measure. During 2001/2002 a new agency will be established. This will draw together the ES and parts of the Benefits Agency. It will deliver a single, integrated service to benefit claimants, employers and people covered by various New Deals.

Private employment agencies were never forbidden in the UK. Prior to 1973, there was no regulation of PRES despite concerns about bad practice in the industry and a number of unsuccessful attempts to introduce legislation. However, in 1973 the Employment Agencies Act was introduced to provide a regulatory framework for employment agencies and employment businesses (temporary work agencies). It gave public authorities (until 1975 local authorities and since 1975 the Secretary of State for Employment) powers to issue licences, schedule charges, regulate premises and investigate complaints and other services. The act sought to regulate by a combination of licensing and statutory agreements. Until 1994, private employment agencies were licensed and regulated by the Department of Employment's Employment Agency Licensing Office. It was organised on a broad regional basis with locations in various parts of the UK. Licences could be revoked because of misconduct or other evidence of unsuitability, although in practice this very rarely happened. In general, TWAs have a great degree of freedom. There are no restrictions concerning the type of temporary work (e.g. concerning certain sectors) or the renewal and the duration of temporary contracts (see Table 2.4.1).

The requirement for private agencies to be licensed was revoked with effect from January 1995 by the Deregulation and Contracting Out Act of 1994. Licensing was seen as less effective in raising industry standards than statutory standards of conduct. Therefore, it was argued that the licensing arrangements imposed an unnecessary cost on the industry. The standards of conduct set out in the 1973 Act (especially the regulation that job-seekers should not be charged for placement services) remain in force. In general, the impact of the regulatory framework appears minimal. The Employment Agency Standards Office, which became part of the Department of Trade and Industry in 1996, only operates in a reactive

manner, responding to breaches of statutory standards when these are brought to its attention in the form of complaints.

Other organisations providing a job placement service may be part of the voluntary sector or could be associated with education. Most of these organisations operate on a relatively small scale. One exception is the Graduate Careers Advisory Office. It has offices in virtually all higher education institutions in the United Kingdom and facilitates the recruitment of graduates by employers. For this reason, most graduates use neither the PES nor commercial PRES.

3.4.3. Public services

The Employment Service (ES) which is – as outlined above - an integral part of the active labour market system, provides a free national matching service. As an Executive Agency, the ES is set performance targets by its minister in its Annual Performance Agreements. The agreement includes issues such as the total number of placements as well as the number of target group placings (see European Commission 2000).

The ES operates through a network of head, regional and local offices. At the moment, there are about 1,000 Jobcentres. On average each Jobcentre could serve 1,250 unemployed clients (number of unemployed in 1999 according to official statistics: 1,263,000). Local offices are responsible for a range of activities such as displaying and holding details of employers' job vacancies, submitting job-seekers for vacancies and providing assisted job-search services for unemployed people, processing new benefit claims, the payment of benefits and the investigation of benefit fraud, advice and guidance on local employment and training opportunities, and access to specialist services and programmes for the long-term unemployed and the disabled. The ES has seven English Regional Offices, and Offices for Scotland and Wales. Such offices negotiate performance targets, operational plans and resource allocation with local offices. In addition, the head office supports the local offices through planning and development work, and provides guidance on operational policy, information technology, personnel and training, and financial and other management systems.

The ES currently employs around 32,000 staff. This figure is much lower than at the beginning of the 1990s when ES employees numbered about 50,000. In 1999 each staff member was able to serve an average of 40 unemployed clients. Because many members of staff also perform other related tasks in addition to placement duties (e.g. providing counselling for job-seekers or checking unemployment benefits), it is difficult in the UK to estimate the proportion of staff which is responsible for job placement. The job-matching service provided by the ES is not divided into occupational categories. Front-line staff are responsible for all types of placement (see Finn and Blackmore 2000).

The UK is one of the OECD countries with the lowest degree of public spending on labour market programmes (see Table 3.4.3.1.). This is partly due to the improvement of the labour market situation but probably even more because of the particular policy approach of the UK government aiming at low policy intervention. The level of benefits as well as of labour market policy intervention is low. Nevertheless, the figures indicate that expenditure on the ES has grown slightly in recent years (in total numbers and as a proportion of total expenditure).

Table 3.4.3.1.: Public expenditure on labour market programmes in the UK (1985-1998)

	1985 % of GDP	1999 % of GDP
Total expenditure	2.76	1.19
Passive measures	2.03	0.82
Active measures	0.73	0.37
of which: PES	0.14	0.16

Source: OECD 1989; OECD 2000

Table 3.4.3.2. provides information about the number of registered vacancies and of placements and particular market shares.

Table 3.4.3.2.: Market shares of the British PES: results from administrative data

	Hirings (in 1000s)	Inflow of reg'd vacancies (in 1000s)	Placements (in 1000s)	Vacancy reg. Rate (as a %)	Success rate (as a %)	Penetration rate (as a %)
	1	2	3	2/1	3/2	3/1
1980		2226	1603		72%	
1985	7280	2406	1855	33%	77%	25%
1987	7400	2668	1914	36%	72%	26%
1990	8460	2458	1764	29%	72%	21%
1992	6000	1986	1458	33%	73%	24%
1995		2447	2043		83%	
1999	8280	2760	1330	33%	48%	16%

Source: British Employment Service

More than absolute figures, which may also reflect the business cycle, market shares indicate how often the PES has been used as a recruitment or search channel and how often the PES has contributed to successful matching. Whereas the vacancy registration rates seem to be relatively stable over time (almost one third), on the basis of administrative data the penetration rate (market share) has recently fallen. This may have to do with the increasing importance of self-service facilities (see below).

Another striking fact, however, is the remarkable difference between the market shares of the PES based on administrative data and survey data (see Table 3.4.3.3 and explanation above). One reason for these discrepancies may be the fact that surveys rely very much on employers' memories. Especially the large number of short-term vacancies may be under-represented. This is relevant here because the PES has a considerably high market share in these segments, which may explain at least partly its underestimation in survey data. The other possible reason for differences between administrative data and survey data is a poor reliability of the vacancy and placement figures of the PES.

Table 3.4.3.3. Market shares of recruitment channels in the UK – results from employer surveys

a) Use (market reach) of recruitment channels as a %

	PES	PRES	Advertisements	Spontaneous application	Informal Channels	Other/ no answer	Total
1992	31%	6%	34%	20%	16%	52%	159%

b) Market share of recruitment channels as a %

	PES	PRES	Advertisements	Spontaneous application	Informal Channels	Other/ no answer	Total
1992	12%	5%	25%	17%	13%	28%	100%

c) Success of recruitment channels as a %

	PES	PRES	Advertisements	Spontaneous application	Informal Channels	Other/ no answer
1992	39%	83%	74%	85%	81%	54%

Source: Hasluck and Purcell 1997

Recent surveys also provide information on the main reasons for using Jobcentres (see Table 3.4.3.4.). The principal reasons are the quantity of applicants and the fact that they are local. Concerning the main inefficiencies of the PES from the viewpoint of employers, the IAB survey offers two arguments: skilled personnel cannot be supplied and applicants are often unsuitable. There is considerable variation in the incidence of Jobcentre usage by job type and enterprise characteristic. The usage of Jobcentres as a method of recruitment tends to be associated with the following: smaller establishments, the market/private sector, manual jobs, semi-skilled and unskilled jobs, part-time and temporary jobs and regions with high unemployment. In addition, labour force data shows that the proportion of job-seekers who rely on the ES as their main method of job-search has declined sharply since 1985. However, the unemployed are still the largest group using Jobcentres.

Table 3.4.3.4.: Reasons for use of recruitment method: results from the 1995 Employers' Attitudes to the Employment Service Survey (RSL)

	Method of recruitment [1])		
	Jobcentres	Employment agencies	Advertisements
Lots of candidates	32%	7%	25%
Local candidates	29%	6%	63%
Good candidates	27%	70%	28%
Free/cheap	17%	1%	3%
Good professional service	8%	17%	
Easy to use	8%	10%	6%
Quick	4%	13%	4%

[1]) Column percentages add to more than 100 because employers may cite more than one reason.

Source: Husluck and Purcell 1997

The use of computerised systems is still rather limited in the ES. In the 1980s and even the first half of the 1990s many ES activities continued to require manual recording. Even the computerised Labour Market System (LMS) introduced in 1996 only provides a semi-automated job-broking facility because no system yet exists to provide good matches of job-seeker and vacancy.

The human resources of the ES, who provide help and guidance to job-seekers and advice to employers, are likely to be required for some time to come. Public access to ES information is still restricted. Most vacancy information is presented on cards displayed on notice boards. 60% of clients use this simple self-service system whereas the other 40% still consult a placement officer. But there are concrete plans to increase the use of technology to serve job-seekers by placing all registered vacancies on the Internet, by introducing touchscreen kiosks (instead of displaying on cards on the wall) into all Jobcentres and by offering a single national telephone number (Call Centre) through which employers can notify vacancies. It is assumed that the still relatively limited content of the ES Web Pages in terms of job search opportunities will improve in the near future.

The ES does not aim to and also does not in fact compete with PRES. They have each marked out quite distinct sectors of the market. The PES dominates in the provision of job placements for unemployed people and in providing job-matching services to employers seeking to fill vacancies for semi-skilled and unskilled labour. Private agencies provide services to organisations seeking highly skilled and professional workers where the enterprise has selected to externalise the job-matching function.

The ES and PRES co-operate in only a few segments of the labour market, e.g. they exchange information on vacancies and job applicants (particularly in dealing with hard-to-place clients and mainly in inner-city areas). There is some outsourcing of placement tasks (approximately 5% of all registered job-seekers), sometimes to commercial agencies, but mostly to non-profit agencies based in the voluntary sector. There is an increasing view in the UK that co-operation and partnership between public agencies and private/voluntary bodies is beneficial, and the PES/PRES linkages will generally increase under this view.

3.4.4. Private services

Prior to the 1930s private employment agencies were mainly small businesses located in Greater London, largely concerned with the placement of domestic and hotel staff, with fees paid by both employers and job applicants. In the early 1940s, the "no fees to staff" principle was increasingly introduced and the industry grew rapidly. It is now a large and diverse industry.

There are two main types of PRES in the UK. On the one hand the large number of small firms and on the other hand extremely large multinational operators. Most of the private companies offer placement of permanent staff as well as temporary workers. Past developments have shown that the recruitment services industry is vulnerable to cyclical and structural fluctuations. This is seen clearly in the numbers of agency branches licensed between 1989 and the end of 1994, with 16,123 in 1989, rising to 17,193 in 1991 and falling to a low of 14,422 in 1993, before recovering somewhat to over 15,000 at the end of 1994. Since 1995, licences are no longer required.

In the UK there are six main areas of business activity within the industry: 1) General Staff Agencies, which mainly provide placements for office and semi-skilled industrial jobs; 2)

Executive Search Agencies, which identify candidates for senior and middle management posts; 3) Management Selection Agencies, which conduct initial interviews and present client organisations with a list of suitable candidates for vacancies; 4) Interim Management Agencies, which provide experienced executives and managers on a temporary basis to undertake special projects or cover for short-term absences of management staff; 5) Specialist Agencies, which place particular occupational specialists or serve a particular industry; 6) Outplacement Agencies, which specialise in placing staff made redundant by client organisations. In addition, private recruitment companies increasingly use the Internet to develop new forms of employment broking services.

There is no specific data on the activities of the various types of private recruitment companies. However, more general information is available. The last employer survey of 1992 indicates that private employment agencies account for less than 5 per cent of engagements, i.e. the Jobcentre share of successful engagements is approximately 2.5 times that of PRES (see Table 3.4.3.3. above). If one compares the use of the two, the figures show that PES involvement is more than 5 times that of PRES. However, the success rate of PRES use (82%) is much higher than of the Jobcentre use (40%). More recent estimates (for 1999) suggest a slight increase of PRES involvement (8%) and the PES market share (6%). Amongst employers who used private employment agencies, the quality and the screening of applicants was especially important for involving them as a recruitment channel (see table above).

Office placements continue to be the main growth area of business undertaken by the private recruitment sector despite the diversification indicated by the growth of specialist agencies. The biggest single occupational group was unskilled and semi-skilled industrial placements. Growth areas were nursing, computing and secretarial/office. PRES are especially active in urban areas. In general, the more senior the post, the more likely it is that an employment intermediary will have been involved.

According to CIETT (2000) data, the UK, with 3.2%, had the second largest share of agency workers (percentage of total employment) in the European Union in 1998. The UK share is clearly higher than the European average of 1.5%. The figures also show that prior to agency work 36% of all agency workers were either unemployed, new entrants, students or other non-participants. In addition, 40% of workers entering the agency were able to move into non-agency jobs after one year.

4. Conclusions

4.1. Lessons from the European case studies

General lessons

In general, the market shares of the PES are higher than those of PRES. This is true for France, Germany and the United Kingdom and was also the case for the Netherlands for decades. However, recent Dutch data suggest that the market share of PRES, in particular TWAs, may even have overtaken the PES.

Another finding is that the PES and PRES complement each other – at least to a large extent. This is especially relevant for intermediate agencies which still only play a limited role in quantitative terms and obviously serve different clients (especially employed and more

qualified job seekers) than the PES. There is obviously competition between the PES and TWAs because their activities overlap not only in marginal areas (e.g. manual labour with secondary vocational qualifications or with low skill requirements).

The quantitative developments in the field of job placement after deregulation (especially in the Netherlands and Germany) proceeded relatively unspectacularly in the first phase. The trend towards an increased use of temporary workers was already visible before deregulation. But recent developments show a strengthening of the market importance of TWAs. The market share of intermediate agencies is still quite low but with a clear upward tendency. Private agencies have obviously opened up new markets particularly in the field of highly skilled workers – especially just below the executive level. Nevertheless, the PES continue to be the dominant provider of placement services for workers who are temporarily unemployed. However, other recruitment or search methods such as advertisements and informal contacts are the most important channels. One should bear in mind that public and private placement agencies taken together account for less than 30 per cent of vacancy fillings in the four countries under survey.

The data suggest that there are significant empirical discrepancies arising from the comparison of PES market shares (in Germany, the Netherlands and the United Kingdom) based on either administrative data or employer surveys. It seems to be reasonable that surveys illustrate the minimum market share of the PES, and administrative data by the PES produce the maximum. One reason may be that the PES have an incentive to make their figures look better because the magnitude of the market share is still a commonly used performance indicator to measure the efficiency of the PES.

Ultimately, however, market shares are gross results of (public and private) job placement which do not tell us very much. What would be more important than the quantitative volume would be to examine the net use or the net success for the job placement clients and the for the economy as a whole. Whenever job placement improves the search outcome or shortens the duration of the job search (compared with a so-called "zero situation", i.e. without job placement), the costs of public intervention face returns at least at micro-level (search activities by firms and applicants). The PES will therefore be brought in voluntarily when the clients may expect such net effects. However, the sum of the desired net effects must not simply be equated with a macroeconomic effect on employment and unemployment.

Positive employment effects at macro-level only result if jobs are filled by placement services which otherwise would not have been filled (or not as quickly) by other recruitment channels. In general, the existence and the size of benefits at macro-level depend to a great extent on whether placement activities are accompanied by deadweight and substitution effects. Deadweight effects of placement activities are given if employers would have found similar workers and job-seekers would have found similar jobs by other means as quickly as they have found them through placement agencies. Substitution effects consist of the adverse effects on the job search of workers who do not receive placement services and firms that do not register with placement services. Certainly, many (probably most) of the vacancies would have been filled as quickly some other way. The resulting costs at macro-level may be: decreases in short- and long-term earnings and/or the increase of transfer payments to non-users; increases in the time it takes to fill vacancies and subsequent worker turnover among firms not registering with the placement services. In the extreme case it could be possible that all user benefits are precisely offset by costs imposed on others. Thus, solving one problem may give rise to a new one.

Additional placements can, however, result in positive employment effects. If public or private agencies have succeeded in converting companies' latent need for employment into a more concrete need (e.g. by eliminating a lack of skilled workers or converting overtime into new employment), placements lead to more employment at micro-level (i.e. in the corresponding firms). A similar effect would be achieved if it was not a matter of additional jobs, but if the available job offers could be filled more rapidly due to an increased involvement of the agencies and faster placement. Establishment surveys indicate for Germany that when the employment offices are brought in the time taken to fill the vacancy was generally shortened clearly (Magvas 1999). Unfortunately no comparable results are available for the other three countries.

However a shorter duration of available vacancies at micro-level will not necessarily result in a corresponding increase in the number of employed persons. Firstly the aggregate effect for the national economy might be weaker because firms are in competition with each other. The expansion in one firm, e.g. as a consequence of a quicker filling of vacancies, could result in job losses and/or cancellation of vacancies in other firms. Secondly if a reduction in the duration of the vacancies can only be achieved by poaching, a new vacancy could arise in the company from which the worker is poached, which in turn can be difficult to fill. Thirdly more efficient placement combined with shorter vacancy periods could have negative effects on alternative instruments of employment adjustment (such as the hiring of temporary workers) which contribute to the existing level of employment. From what has been said and from the fact that in principle decisions concerning the need to recruit and the filling of vacancies are made by companies and not by placement agencies, it can be assumed that the employment-creating effects of job placement activities are likely to remain relatively small.

It must therefore be stressed that hardly any additional jobs can be created through more job placements. As a result, the transparency on the labour market may increase followed by a probably greater turnover in employment. As a consequence, however, indirect effects on the labour market can result. More movement on the labour market would, in general, lead to an improvement of the quality of job-matching, e.g. if skilled workers employed in positions below their status are used more appropriately for their qualifications. Greater fluctuation could therefore also open up better employment opportunities for the target groups of the labour market. If, for example, the skilled workers employed in positions below their status find better jobs due to more efficient placement services, semi-skilled or unskilled vacancies will have to be filled again.

If there are already problems in measuring gross effects, the described net effects at micro- and macro-level are impossible to record quantitatively, especially in comparative form for several countries. Besides, what was not evaluated was the whole set of active labour market policy instruments implemented by the PES, which are increasingly becoming "one-stop-shops" and in this way produce net effects not only at micro-level (e.g. by offering training measures), but also in certain circumstances at macro-level (job-creating measures on the secondary labour market).

Nevertheless, the improvement of (gross) performance indicators over time suggests that essential changes within the PES have already taken place. Greater customer satisfaction and the provision of more comprehensive high-quality services is leading in some countries to considerable efficiency gains. The PES under consideration have implemented management by objectives and results systems, combined with management control (especially in France and the UK).

For ***France*** there are unfortunately no employer survey data available to compare with the official PES data. Although even the administrative data base is small there are some striking facts: the PES was able to increase its market share during the 1990s to a greater extent than the other countries under consideration. There is obviously a "French way" to modernise employment services: although - or just because - France did not liberalise placement services and tightened even regulation on TWAs, the PES made great efforts to improve and broaden services with positive consequences for their performance. The consequent strategic orientation towards an efficient service agency obviously had the effect of more customer satisfaction. The PES is being used more now than in the past as a search and recruitment channel. The vacancy registration rate for example, the most expressive indicator of the appeal of placement services to employers, doubled between 1992 and 1999. The way to ease the placement monopoly and to guarantee high-quality services for an increasing number and different groups of clients (broader market segment) is to "buy" competencies by concluding agreements with other operators and increasingly becoming a manager of networks with a leading role in e-cruiting, self-service facilities and Internet job placement. The most striking lesson from the French case may be that real competition among private agencies may not even be necessary to improve the quality of services. Potential competition may already be sufficient to induce greater performance efforts.

Germany seems to be in a position between the less regulated coexistence countries of the UK and the Netherlands, and the moderate monopoly country of France. There are no plans either for further privatisation like in the Dutch case (e.g. reintegration services) or for more deregulation of PRES like in the UK. Like the French case the aim of the German PES is to become a customer-friendly service agency by shifting away from being a central actor to a (decentralised) manager of networks, to offer comprehensive services and to have a leading position in electronic and traditional placement services. Delegation, co-operation and partnership with the increasing number of private and voluntary bodies is complementary and seen as necessary to improve services and to achieve efficiency gains. PRES activities are permitted, but the PES authorities will continue to manage competition in the future and supervise in detail what private-sector service providers are doing, not least in order to avoid "creaming effects" of the private operators.

In the *Netherlands* the dynamics of private services increased significantly after the de-monopolisation in 1990. The Netherlands has the largest share of TWA workers in the EU and the western world. Similarly to Germany, profit-seeking agencies for recruitment and selection still work in specific segments of the labour market. As regards the PES, the *Dutch* experience shows a more experimental way on a "trial and error" basis to improve efficiency and effectiveness in placement services. The former monopoly country is going further than any other EU country. An important impact of de-monopolisation is that co-operation between TWAs and private recruitment agencies on the one hand and the PES on the other hand is becoming more common. More deregulation and even privatisation is planned in the years to come in order to introduce greater competition in the area. The implementation of Centres for Work and Income seems to be decisive in this context. It will cause a split up of the PES: a basic public service for matching supply and demand and a more independent, and in the end even private, reintegration unit dealing with employability services. However, it remains open whether the results of the ongoing changes will be convincing and stable.

In the ***United Kingdom*** private employment agencies were never forbidden. After a period of more regulation on TWAs and placement agencies in the 1970s and 1980s, several regulations

were revoked in the 1990s and more trust is now placed in market forces and standards of conduct. Regulations e.g. licensing arrangements are considered an unnecessary cost. But no further deregulation is planned. Recently there has been a slight increase in PRES involvement but there is also pressure from the government for job matching services to be shifted from the public to the private sector. Efficiency is an important criterion for public funding. If competitors are more efficient than the public, funds do not necessarily go to the public agency. There is also a change in the PES attitude towards private agencies. Nowadays, the Employment Service is more pragmatic than it used to be. There is an increasing acceptance of temporary work and private job-brokers. The PES does not aim to and does not in fact compete with PRES. They have each marked out quite distinct market segments. Although co-operation exists in only a few areas there is an increasing view that PES-PRES linkages are beneficial.

The general conclusion to be drawn from the case studies is that there is no clear superiority of a determined model: efficiency gains are possible by deregulation in placement services (Netherlands, UK) as well as by essential improvements in public placement services (France, Germany).

After presenting the conclusions from the four case studies the following paragraphs will deal with the future prospects of placement services.

4.2. Changing labour markets and their consequences for matching services

One aspect may particularly influence the future role of placement services. This is the long-term development of the economy and the labour market. Within western economies there has been a steady shift from manufacturing activity to service industries. This trend for example reduced the relative importance of full-time employment in favour of part-time jobs and other flexible work arrangements. It has led to a shift from manual to non-manual employment. It is also associated with a shift towards high-skill, high-status managerial and professional occupations and away from semi-skilled and unskilled work. These long-term trends may endanger the traditional market of the PES and expand the scope for job-broking activity in those parts of the market served by private agencies.

Another aspect concerning placement services is the business cycle and employment trends. Especially PRES are affected for example by a weak economy more than any other industry. In a period of a global deficit of jobs the possibilities of private agencies to place job-seekers are reduced. More recruitment in a boom period or increasing bottlenecks which may be expected due to the demographic development would improve the market chances of private agencies. This shift requires the partial re-addressing of services. In future there will probably be an increasing demand for aids to open up human resources potentials.

The restructuring of enterprises and its impact on personnel management require new forms of services from the PES (and PRES): new ways of filling vacancies, extending the services by advising firms on staff and training and supporting them to prevent redundancies. Is the organisational structure of the PES actually flexible enough to meet the new expectations of enterprises and job-seekers? It is assumed that PRES have advantages in fields where consulting and audits are involved, because they have more comprehensive services for personnel management and simply because the private sector considers the culture of public bodies too far removed from their own.

4.3. Impacts of information and communication technologies

The rapid evolution of information and communication technologies is in the process of changing the nature of the placement services market significantly. The use of multimedia in certain countries is already completely transforming the way labour market information is collected, processed and transferred to the client.

Especially due to the rapid spread of the Internet, online search is gaining in importance. This development has a number of implications for employers, employees, employment services and consequently for the labour market as a whole. Computerised databases on jobs and job-seekers potentially increase labour market transparency and can, therefore, decrease mismatch. If information about available jobs and job-seekers is accessible anywhere and at any time, search activities are made easier for those involved. For employers and employees the number of potential offers and possible options may rise. This means that a proper match is more likely. As a consequence a lack of information need no longer lead to unnecessary losses of time. In other words, frictions caused by incomplete information may be minimised by "perfect" computerised databases.

However, the reality of computerised databases is still far from perfect. The situation in Western Europe continues to be characterised by various suppliers competing with each other. On the one hand there are the old providers of services, which use the Internet as an additional channel to communicate their vacancies and candidates, for example newspapers with a large vacancy-section. On the other hand there are the new players who are trying to develop a new market with innovative services. One should also bear in mind that more and more firms are using their own websites to advertise their job openings. The present job-online market is therefore characterised by fragmentation and intricacy.

One can think of different scenarios for solving the contradiction between fiction (greater labour market transparency due to efficient databases) and reality (fragmented market offering partial improvements and solutions). Theoretically there are two possible options leading to the ideal situation, which can be seen as the disappearance of fragmentation in this area. A first apparent option would mean a public or a private monopoly. This option would imply that there is a dominant database gathering all the relevant labour market information for employers and employees. A second option would mean that all relevant public and private providers may co-operate with each other. The result would again be a dominant database. Nevertheless, both options bear a considerable risk. The exclusion of competition may create severe problems - especially in the long run. A lack of competition may lead to significant efficiency losses. New providers would potentially offer new or better services or at least provide existing services at a lower price. Therefore, there seems to be a trade-off between great transparency for search activities on the one hand and innovative online services on the other hand.

The mentioned trade-off is only one reason why it seems to be rather difficult to assess the actual market potential of database agencies. The other important aspect is the question as to how far online search can be seen as a substitute for or a complement to personalised services. There is no doubt that employers' and employees' self-seeking activities are facilitated by the use of databases. However, self-seeking activities – involving the use of databases or not – always come up against limiting factors. Irrespective of the search channel the acquisition of information costs time and money. In addition, potential jobs and potential candidates need to be selected properly. This procedure implies either personal interviews or technological solutions in the form of overlapping search engines. In the first case the well-known human-

capital-intensive activities of private and public intermediaries are very likely to survive. In the other case and due to the rapid development of information and communication technologies their services may change considerably. Some agencies will specialise in the provision of even larger databases. Other agencies will be users of those databases. Again others may concentrate on selecting from the vast online information for their clients. Others will disappear. Like in other areas of e-business, a process of increasing concentration and a clearing-up of the commercial online matching market is well under way and it is to be assumed that only a few commercial providers (maybe only two or three in countries like Germany) and possibly the PES will survive.

4.4. Consequences of lean government and deregulation

The growing interdependence of markets and the need for improved competition along with budgetary restrictions have led in many countries to a major revision of the role of governments. As a consequence the concept of lean government has spread rapidly. In the meantime, PRES are organised nationally and internationally. They offer a number of different services for job-seekers and firms. Simultaneously, they have introduced self-regulation and banned unfair and spurious practice. Not least, job-seekers and employers have changed their behaviour. They are proving to be more responsible, more aware of their interests and more able to defend themselves. The labour movement, the traditional defender of monopoly, has begun to weaken and to change traditional ideas.

Fewer resources for the public sector and deregulation may not only be seen as a problem but may also open up several options for a new division of labour in the market for job placements.

A) The PES need no longer deal with the kind of cases which can be adequately served by the market (especially PRES or any other search or recruitment channels). They can concentrate their limited resources more on those issues for which the market is unable to offer convincing solutions. The key clientele of the PES are job-seekers and companies which are not at all or only inadequately served by the market and would have only poor chances of success with self-seeking activities. In this respect the role of the PES can be seen as an agency which intervenes in ongoing sorting processes on the labour market with the ambition to change them above all in favour of individual job-seekers or even companies which would otherwise come off badly.

B) More possibilities of a targeted use of scarce public resources also result from self-seeking facilities such as the Internet, which provides online job search and recruitment. The PES have certain comparative advantages in this area because they can count on comprehensive job-seeker and vacancy pools. Offering extensive assistance of this kind, these systems follow the principle of "helping people to help themselves". They create more market transparency and facilitate searches for the easier cases. Any capacities released in this way can be redirected to offer and develop a greater number of new and personalised services for the "more difficult cases" on both sides of the market.

C) Deregulation opens up a further option for the PES. More privatisation could lead to a "blurring" of the distinction between the PES and the PRES. The PES and PRES can work together more closely. They can exchange experience and information and can also recommend each other. In this way they would be in the position to offer their particular clientele more alternatives than would be the case without co-operation. Public tasks can also be delegated entirely or in part to private agencies, by bonuses being promised to

private agencies for the placement of certain target groups. Co-operation between the PES and PRES has so far been rather rare. This refers first and foremost to the co-operation of the PES with commercial agencies. The situation is somewhat different with regard to non-commercial placement organisations. However, there are hints that more co-operation and even a semi-market model (see Figure 2.3.1.) might not be utopia. Nowadays, the PES is more pragmatic than it used to be. There is an increasing acceptance of contract and temporary work and recognition that job-brokers are basically in the same game: matching job vacancies and applicants as efficiently as possible. Although a complete privatisation of the PES is out of the question due to the possible negative consequences that could be expected for disadvantaged groups of people, the question nonetheless arises as to the form in which public interventions in search processes are to be organised in the future. Should the PES outsource a wide range of services or only special tasks? Or is it even probable that they become one of the major commercial players on the market for employment services? Some PES already charge fees for certain services (e.g. as mentioned above the Dutch PES is already levying fees for parts of their recruitment services). Today it is far too early to evaluate how far these new developments may become an accepted thing.

Irrespective of the various possible scenarios, there could in future be a much broader spectrum of professional placement services for all groups of job-seekers as a result of more competition between highly specialised placement providers. The more those providers anticipate the ongoing changes in the world of work and the more they make successful use of the rapid spread of information and communication technologies the more they can expect to be involved in search and recruitment processes.

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